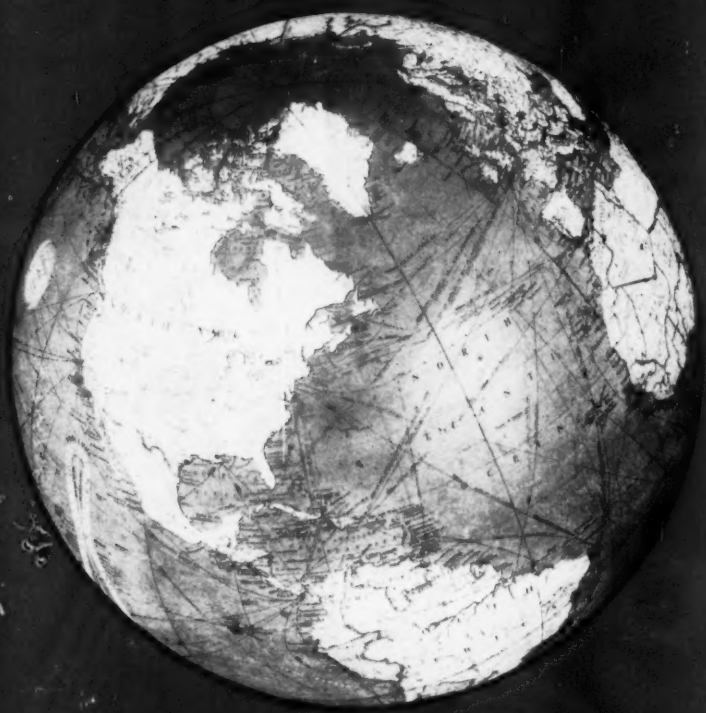


VOL. 41 NO. 3 1968



LYBRAND JOURNAL

Coopers & Lybrand

International Offices

UNITED KINGDOM

London
Birmingham
Glasgow
Leicester
Liverpool
Manchester
Sheffield

BELGIUM

Antwerp
Brussels

FRANCE

Paris

GERMANY

Berlin
Cologne
Frankfurt Am Main
Hamburg
Karlsruhe
Munich
Pirmasens
Saarbrücken
Stuttgart

HOLLAND

Rotterdam

ITALY

Milan

SWITZERLAND

Basel
Geneva
Lausanne
Zurich

CANADA

Calgary
Charlottetown
Edmonton
Halifax
Hamilton
Kitchener
Montreal
Ottawa
Quebec
Rimouski
Saint John
Sherbrooke
Toronto
Vancouver
Winnipeg

MEXICO

Mexico City

CENTRAL AFRICA

Bancroft
Bulawayo

CENTRAL AFRICA—Cont.

Chingola
Fort Victoria
Gwelo
Kitwe
Lusaka
Ndola
Salisbury

EAST AFRICA

Arusha
Dar Es Salaam
Jinja
Kampala
Mombasa
Moshi
Mwanza
Nairobi

UNION OF SOUTH AFRICA

Cape Town
Durban
East London
Johannesburg
Port Elizabeth
Vanderbijlpark
Virginia
Windhoek

WEST AFRICA

Accra
Lagos

CONGO

Elisabethville

IRAN

Teheran

MALAYA

Kuala Lumpur

SINGAPORE

Singapore

AUSTRALIA

Adelaide
Brisbane
Canberra
Melbourne
Newcastle
Perth
Sydney
Wollongong

NEW ZEALAND

Auckland
Christchurch
Dunedin
Palmerston North
Wellington



LYBRAND JOURNAL

VOLUME 41

1960

NUMBER 3

Contents

	Page		Page
STATISTICAL SAMPLING IN ACCOUNTING AND AUDITING.....	3	THE TAX TRAINING PROGRAM FOR AUDIT PERSONNEL.....	66
By T. J. Cogan		By Sidney Kess	
THE NEW PARTNERS.....	17	AUDITING EDP SYSTEMS....	67
THE NEW PRINCIPAL.....	25	By Fred Boas, Jr.	
THE 1960 CENTRAL AUDIT TRAINING SCHOOLS.....	27	THE INVESTMENT COMPANY COURSE.....	68
By Charles C. Martin		By E. J. DuBois	
GOING TO PRESS—ANOTHER FIRM PUBLICATION.....	36	THE INSURANCE COMPANY AUDIT COURSE.....	68
By James B. Alfano, Jr.		By N. E. Cusworth	
REPORTING TO CLIENTS ON M. S. ENGAGEMENTS..	40	THE STOCK BROKERAGE COURSE.....	69
By M. B. T. Davies		By E. C. Janson, Jr.	
THE OPERATIONS RESEARCH COURSE.....	46	THE MACHINE ACCOUNTING COURSE.....	69
By Joseph M. Conder		By Fred Boas, Jr.	
THE MANAGEMENT CONTROLS COURSE.....	48	THE ESTATE PLANNING COURSE.....	70
By J. William Biggs		By Sidney Kess	
FIRM CONFERENCE FOR TAX SPECIALISTS....	50	TAX PROBLEMS OF THE INDIVIDUAL.....	70
By Norman E. Auerbach		THE NATIONAL PERSONNEL MEETING.....	71
THE SENIOR-SUPERVISOR STAFF CONFERENCES....	52	By Raymond G. Ankers	
By Bradley H. Green		THE NATIONAL MANAGE- MENT SERVICES CONFERENCE.....	74
LABOR-MANAGEMENT ACT OF 1959.....	53	By James E. Meredith, Jr.	
By Fred E. Rhodes		AWARDS AND PRIZES.....	76
THE PRODUCTION MANAGEMENT COURSE....	57	RECENT LIBRARY ACQUISITIONS.....	78
By Robert L. Burton		By Dorothy Kasman	
DEVELOPING AN ACCOUNTING MANUAL....	58	SPEAKING ENGAGEMENTS..	81
By C. F. Grote		NOTES.....	85

Published by LYBRAND, ROSS BROS. & MONTGOMERY for distribution
to members and employees of the Firm.





Statistical Sampling in Accounting and Auditing

By T. J. Cogan (*Director of Research, Accounting and Auditing*)*

Considerable current interest has been evidenced in the possibilities of the use of statistical sampling techniques in the field of accounting and auditing.

Sampling or testing as a basis for drawing conclusions about an entire mass from partial examination of its components has been a part of our culture as far back as history goes. It has been used, among other purposes, by governments in population surveys and by business in connection with market surveys and control of the quality of productive processes. It was dramatically employed, recently, to check the effectiveness and safety of the Salk vaccine. Those who use tests, or samples, to form an opinion as to the characteristics of the entire mass of data under examination depend, for the validity of their conclusions, on the characteristics of the data examined approximating the characteristics of the entire mass of data.

Independent public accountants, in their examination of financial statements, have traditionally relied on tests of transactions. They have, of course, striven to have their tests so designed and of such a size that they may reasonably be representative of the entire population. This is specifically recognized in the American Institute of Certified Public Accountants' statement on "Generally Accepted Auditing Standards" which says: "The appropriate degree of testing will be that which may reasonably be relied upon to bring to light errors in about the same proportion as would exist in the whole of the record being tested."

However, it must always be borne in mind that use of partial data as a means for drawing conclusions as to an entire mass carries with it the risk that the data examined may not, and probably

*The author wishes gratefully to acknowledge the substantial assistance and advice on technical matters which he received from his associates, Seymour M. Kwerel and Arthur J. Yaspan.

does not precisely, conform to the characteristics of the entire mass under consideration. This is a risk which is willingly and knowingly undertaken in view of the manifest infeasibility of complete examination. If we did not incur this risk, we would be barring ourselves from much useful knowledge. This matter of risk and the need for incurring it is specifically recognized in the A.I.C.P.A.'s statement on "Codification of Auditing Procedures" which says, in effect, that the testing technique is justified on the grounds of the general impracticability of a complete check. We must, nonetheless, always be conscious of the general desirability of sample representativeness.

Testing as usually undertaken by accountants is not, however, susceptible of quantification, that is, there have been no readily available means of objectively ascertaining the extent to which a proportion of a sought for characteristic present in a sample may deviate from the proportion of that characteristic which is present in all of the items. It may be that this has been one reason for the almost total disuse of the testing tool in initial recording of accounting information, and for its limited use in internal auditing. Under such circumstances, the test has been considered suitable only for purpose of review of data which already had been assembled by detailed analysis.

The above referred to limitation upon the usefulness of the testing technique, in the opinion of those who employ it in non-accounting areas, has been overcome by subjecting the selection of the items to be tested to statistical sampling techniques developed on the foundations of probability theory. These techniques afford a means of measuring and controlling the extent to which a sample of tested items deviates in its characteristics from that of the total items as to which information is needed (the so-called sampling error). Statistical sampling techniques have been widely used for survey purposes for many years and have been extensively employed by industry within the last fifteen or twenty years. It has been only recent however, that accountants have turned attention to them as a possible useful tool for their profession, although, oddly enough, they were first proposed as an aid to auditors over twenty-five years ago. Speculation as to the reasons for this, while they might be interesting, would undoubtedly prove fruitless.

It will be the purpose of this article briefly to discuss the concepts of statistical sampling techniques, with the thought that

Probability Sampling in Accounting and Auditing

some insight into them may give the reader an indication of the extent to which they may contribute to more effective auditing and accounting. The article is not at all of a comprehensive nature—it must be considered as solely introductory. It is hoped that from time to time sequels to it will appear in this *Journal* which will contain further exposition of the subject. It should be made clear at the outset that the application of statistical techniques in the accounting and auditing field presently should be considered to be in an experimental stage. They cannot be considered an established part of the accountant's work kit. Another point also should be made clear. These techniques do not eliminate or supplant the use of judgment. It is unfortunate that some discussions on the uses of statistical techniques have been couched in terms of "judgment" versus "scientific or statistical" sampling. This is at best a very poor choice of terms and at worst it is an abysmal confession of ignorance—any statistician will hasten to confirm this latter point.

What statistical sampling techniques will accomplish may be stated very briefly. If an auditor, in the exercise of his judgment, will set forth the degree of precision with which he wishes a sample to represent the entire field under investigation and if he will also, and again in the exercise of his judgment, state how many times out of a hundred he wishes the sample so to conform, the techniques will provide him with a sample plan that will enable him to arrive at a sample size necessary to meet his specifications. Furthermore, the plan will be susceptible of objective demonstration of the fact that it does meet the stated specifications.

One requirement for a sample based upon statistical techniques is that it be randomly drawn, that is, that it be designed so that every item in the population has an equal chance of being chosen as an item to be tested. Randomness is essential since statistical sampling rests upon the foundation of probability theory and selection of items on a subjective basis might well introduce a bias, the effect of which would not be susceptible of estimation. Further, to the extent that such selection would result in the exclusion of certain items from a test, no valid statistical conclusion could be drawn as to these items.

The precision and confidence with which a sample may be expected to portray the characteristics of the population from which it is drawn has been previously referred to. It will be helpful now briefly to discuss these terms. First, again bear in mind

that no samples or no series of samples will, except fortuitously, precisely indicate the nature or characteristic of an entire field being sampled. Only a complete survey would do that and even this is not a certainty because a detailed survey is susceptible to human errors such as those engendered by fatigue or lack of interest. Precision means, briefly, the degree of deviation which one is content to accept between an answer derived from a sample and the true characteristic of the population. When sampling to ascertain proportion of errors, precision usually is measured in terms of plus or minus specified percentage points. In sampling for purpose of estimation of value, it is usually measured in terms of plus or minus dollar values from a true average value of units in a field. Confidence means simply the number of times, relative to total tries or samples, that an answer will be within the limits of this range of precision. Now there is a definite relationship between precision and confidence. For example, suppose a field of vouchers is being examined in order to estimate the proportion of clerical errors it contains. If the auditor is content with an answer within, say plus or minus 20%, it is intuitively evident that the sample will conform to requirements more frequently than if he were to insist upon an answer within a precision of plus or minus 2%.

Now we have previously said that statistical sampling techniques provide a means of objectively measuring the accuracy of a sample as related to the population being sampled. The reader is, at this point, justified in asking how. Assume a population composed of 50,000 vouchers. Further assume that successive samples of 1,000 each are taken from this population and that this is done 500 times. This would constitute an aggregate of 500,000 individual inspections and may be considered for all practical purposes to be an infinite number of samples. Intuitively, it will be appreciated that the average characteristic disclosed by such infinite succession of individual inspections would very closely approximate the characteristic of the entire population. Now statistical sampling techniques endeavor mathematically to simulate this process in a single sample—or, as the statistician puts it, to achieve it conceptually.

Let us now briefly go into the mechanics of applying statistical sampling techniques, especially as the techniques affect the manner of drawing samples and of calculating sample sizes. For this purpose, we shall make use of some common statistical formulae, but only for purpose of illustration. While the formulae are simple,

Probability Sampling in Accounting and Auditing

they represent the end product of complex mathematical reasoning and explanation of their derivation would be far beyond the limits of this article.

First, it will be helpful to discuss means of achieving the necessary randomness. Of course the simplest way to do this would be to have separate numbered slips for each item in the population, to put these slips of paper in a hat, shake it and to draw blindly the required number of items. While this indeed is simple, its awkwardness when dealing with a large number of items becomes painfully evident. Tables of random numbers have been compiled which achieve this result, however, in a more workable fashion. The numbers in these tables have been subjected to tests relating to the frequency and order of their occurrence and no significant deviations from randomness have been found. A few random numbers follow:

14471	96447	13374	65780
10232	20743	23021	17506
19035	92472	17006	33072
21695	13492	08025	07723
07540	68294	32999	87876

Since the tables are arranged in random order, it is evident that a sequential selection from them will at the same time be a random selection. Suppose that a sample of 100 vouchers is being drawn from a universe of 20,000 vouchers. We first number the items from 00001 to 20,000. Then we select consecutive five digit random numbers, dropping those exceeding 20,000, until we have 100 items. This will be a random selection from the population.

Another method of achieving randomness is termed systematic sampling with a random start. It consists of selecting every n th item out of the total items in a field, using a random start. For example, if accounts receivable are being sampled and it is desired to select 200 accounts of a total of 4,000, every twentieth account may be used for selection, providing that the starting point is random. This method is frequently less time-consuming than the use of random numbers for the selection of items to be sampled but it possesses certain inherent dangers when not carefully used. Care must be exercised to assure that there is no arrangement of items that might introduce bias. For example, if it were a company's practice to assign number 5 to vouchers originating from a particular department, a random start which happened to begin with that number would result in confining the entire test examination to vouchers emanating from that department.

LYBRAND JOURNAL

It is now in order to discuss some types of sampling plans. Three types of plans have been proposed for possible use by accountants and auditors. These are estimation, acceptance and exploratory. Estimation sampling provides a means for estimating such characteristics as (a) the proportion of errors in a total field or (b) the aggregate dollar amount represented by the field. Acceptance sampling embodies techniques for accepting or rejecting an entire population on information provided by a sample. Exploratory sampling provides a means of deciding with given assurance whether less than a specified proportion of errors exists in the population. Since estimation sampling, at present, appears to be most promising for use by accountants and auditors, it will be here discussed at greater length than the other two types of plans.

Before proceeding, however, one observation is in order. That is that the absolute size of the sample is of more importance in considering its precision and reliability than its relative size. This may not entirely jibe with the reader's intuitive feeling that sample size should bear at least an approximate relationship to the size of the population being sampled. However, it is mathematically demonstrable though such demonstration will not be attempted in this article. This point, however, may be illustrated by the use of some numbers from existing sample size tables used in estimating proportion of errors.

<i>Population</i>	<i>Sample Size With Fixed Precision and Confidence</i>	<i>Sample Size as a Per Cent of Population</i>
1,000	314	31.0%
5,000	418	8.4%
10,000	436	4.4%
100,000	454	0.5%

From this illustration it will be noted that the required size of sample for the same precision and confidence varies from 31% in a field of 1,000 to $\frac{1}{2}$ of 1% when we are dealing with a field of 100,000. Very roughly speaking, population size is not an important factor as determinant of sample size in populations comprising 50,000 or more items. From the viewpoint of statistical theory, such size populations may be considered for most practical purposes as being infinite. In the interest of simplicity in the examples which follow, it will be assumed an infinite population is being dealt with.

Probability Sampling in Accounting and Auditing

Estimation Sampling

Following is a formula for determining sample size when the objective is to estimate the proportion of errors in a field.

ESTIMATION SAMPLING

PROPORTION OF ERROR

$$n = k^2 \cdot (pq) \cdot \frac{1}{w^2} \text{ — for infinite population}$$

Where:

n = Sample size

p = Maximum expected rate of error

q = 1 - p

k = Factor for desired confidence level

w = Required precision

The letter "k" in this formula is a factor which achieves the required precision with the desired confidence level. It is taken from tables of areas under the so-called normal curve. If the factor "k" is set at 1, or unity, the sampling plan will yield a probability that the error proportion in the sample will deviate from the population proportion about one out of three times; if the factor is 1.96, the similar probabilities are 5 out of 100; if it is set at 2.58, the probabilities are then 1 out of 100; to put this conversely, confidence levels are respectively 68%, 95% and 99%. It will now perhaps be helpful to illustrate this formula with two hypothetical cases, so as to point up the effect upon sample size of decisions as to required precision and confidence and of assumptions made as to maximum error rates in the population.

Since "q" is the complement of "p", a small amount of computation will make it clear that an assumption of a 50% maximum error rate will call for the largest sample. The factor "pq" has values ranging from .0196 where "p" is 2%, to .25 where "p" is set at 50% and required sample size varies proportionately to this. Two limitations should be imposed upon the use of this formula for estimation purposes. First, as a general matter, it does not apply where a maximum error rate of less than 2% is assumed since under these conditions more complex and sophisticated techniques would be called for which are beyond the scope of this article. Second, there should be observed a realistic relation between the range of required precision and the assumed maximum expected error rate. Quite obviously, if an error rate of 50% were assumed, it would be unrealistic to endeavor to estimate it to within a range of ½ percentage point. Conversely, in the case

of an assumed maximum error rate of 2%, estimation within a range of plus or minus 5 percentage points would not be especially useful. The range of precision (which is stated as an absolute plus or minus amount) should, as a practical matter of rule of thumb, be no larger than one-third of the expected maximum error rate and, in any event, not greater than 10 percentage points.

We shall assume an infinite population for purpose of simplicity and also assume that in each instance a confidence level of 95% is desired or that we wish 95 times out of a hundred to be assured that our sample comes within the required ranges. Let us first assume that the maximum error rate in the population is 20%. And then say that precision of (a) 3% and (b) 2% is desired. Here would be the required sizes of samples.

$$(a) \quad n = (1.96)^2 \cdot (.20 \times .80) \cdot \frac{1}{(.03)^2} = 683$$

$$(b) \quad n = (1.96)^2 \cdot (.20 \times .80) \cdot \frac{1}{(.02)^2} = 1537$$

Now if instead of 20% we assume that the maximum error rate is 10% and that the other conditions are the same, the required sample sizes would be as follows:

$$(a) \quad n = (1.96)^2 \cdot (.10 \times .90) \cdot \frac{1}{(.03)^2} = 384$$

$$(b) \quad n = (1.96)^2 \cdot (.10 \times .90) \cdot \frac{1}{(.02)^2} = 864$$

Continuing with the last example (assumed maximum error rate of 10% and required precision of 2%), we may now illustrate the effect upon sample size of varying decisions as to desired confidence level.

Confidence Level	68%	80%	90%	95%	99%	99.7%
(1) pq	.09	.09	.09	.09	.09	.09
\times						
(2) $\frac{1}{w^2}$	2500	2500	2500	2500	2500	2500
\times						
(3) k^2	225	225	225	225	225	225
\times						
(3) k^2	1	1.6641	2.6896	3.8416	6.6564	9
= Required sample	225	374	605	864	1498	2025

Probability Sampling in Accounting and Auditing

The foregoing examples illustrate the point that sample size increases (a) as desired confidence level is increased, (b) as required precision is sharpened, and (c) as the maximum assumed error rate increases.

In the foregoing examples an assumed error rate was used. Mathematically we are dealing with an equation which has an unknown (p) on its right side. Thus there is need for making an assumption about that unknown in order to arrive at an answer. Now you may rightly ask "What if I had no knowledge upon which to base any reasonable assumption?" Well, one thing that might be done would be to assume the worst possible condition—this would be an error rate of 50%, and would call for the maximum size sample. In the case cited above (with confidence = 95%, $w=2\%$ and a maximum error rate = 10%), this would increase the required sample from 864 to 2,401. The foregoing is a sure way of coping with the problem of an unknown error rate in the population under investigation but it may very well be uneconomic. In the case of recurring engagements, it is most likely that the auditor will have some reasonable idea of what past error rates have been upon which to base his assumptions. Even in the case of a new engagement, an experienced auditor in most instances should be able to form a reasonable judgment of possible error rate. If the assumption as to error rate is set high, the sample called for will be in excess of what is actually needed. On the other hand, if the assumption is made too low, then the sampling plan does not embody the desired degree of precision or confidence. Now the results of the sample itself after it has been taken and analyzed afford a means of finding out whether or not the original assumption was justified. Generally speaking, it is advisable to allow a reasonable safety factor in assuming an expected maximum error rate for purpose of arriving at sample size.

So far, estimation of the proportion or percentage of error in a population has been considered. Now let us go into methods of estimating the total value of a population. This appears to have considerable promise to auditors in, among other things, checking inventories. Estimation of aggregate dollar value of a population is accomplished by means of estimating the average value of a unit in the population and then multiplying that average by the number of items in it. Estimation of average values does, however, introduce a problem, namely consideration of the variability of the population. This may be illustrated as follows:

LYBRAND JOURNAL

ILLUSTRATION OF VARIABILITY

Example A			Example B		
	Item Value	Distance From Mean		Item Value	Distance From Mean
Item 1....	9	-11		2	-18
2....	12	- 8		4	-16
3....	30	+10		40	+20
4....	18	- 2		28	+ 8
5....	25	+ 5		14	- 6
6....	26	+ 6		32	+12
Total.....	120	$\left\{ \begin{array}{l} +21 \\ -21 \end{array} \right.$		120	$\left\{ \begin{array}{l} +40 \\ -40 \end{array} \right.$
Mean.....	20	0		20	

Now you will see that taking the difference between the individual item values and the average value in the first example, items in excess of the average add to (+) 21 and, of course, conversely those which are lower than the average add to (-) 21. In the second example, those items which have a value in excess of the average add to (+) 40 and the others to (-) 40. While both examples include the same number of items and have the same average value, the variability in the second example is considerably greater than it is in the first.

Now there are various ways of measuring, or quantifying, variability. One is the range, which is simply the difference between the lowest and the highest value item in a population. Another is called the mean deviation and is arrived at simply by adding the differences disregarding whether or not they are positive or negative, and then dividing by the number of items. In the two examples which were just shown, the mean deviation is 7 and $13\frac{1}{3}$ respectively.

Statistical applications usually make use of a different measure of variability which is called the standard deviation. Theoretically it has an advantage in that it fits very nicely into the properties of the so-called normal curve. The standard deviation of a sample may be computed in the following manner. The difference between each individual item and the sample average value is squared, thus removing the minus sign. The squares of the deviations are then

Probability Sampling in Accounting and Auditing

added; the sum of the squares is divided by the number of items, and the square root of the quotient is then taken. This is the standard deviation.

STANDARD DEVIATION

<i>Items</i> (a)	<i>Distance from Mean</i> (b)	<i>(b)²</i>
1.....	-11	121
2.....	- 8	64
3.....	+10	100
4.....	- 2	4
5.....	+ 5	25
6.....	+ 6	36
	0	350

$$\sqrt{\frac{350}{6}} = \sigma = 7.64$$

A formula for arriving at the average dollar value of items comprising a field will now be given. Here again for purpose of simplicity an infinite population is assumed.

ESTIMATION SAMPLING MEAN AND AGGREGATE VALUE

$$n = k^2 \cdot (\sigma)^2 \cdot \frac{1}{w^2}$$

Where:

n = Sample size

σ = Measure of variability—standard deviation

k = Factor for desired confidence

w = Required precision (measured in terms of deviation in dollars from true population average value)

It will be noticed that this formula is very similar to that used for the determination of proportion of errors in a population. The only difference is the introduction of the factor "sigma" as the measure of population variability.

Preliminary estimation of the value of this factor is somewhat more complex than preliminary estimation of proportion of errors. This is because in the case of estimation of proportion, experience usually forms a more reliable guide for arriving at a preliminary estimate of error rate for the purpose of sample computation than in the case of estimation of "sigma." There are, however, a variety of quite feasible and not too arduous ways of coping with this

problem which are based, generally, upon evaluation of a sub-sample or a series of sub-samples.

We may illustrate this formula by taking a case where it is desired to estimate the average unit value of items in inventory within plus or minus \$1. Let us assume that the standard deviation of the population is \$10 and that a confidence level of 95% is desired:

EXAMPLE OF ESTIMATION OF MEAN VALUE

Assume $\sigma = \$10$, $w = \$1$, CL 95% ($k = 1.96$)

$$n = (1.96)^2 \cdot (10)^2 \cdot \frac{1}{(1)^2} = 384$$

Now if the standard deviation instead of being \$10 had been \$20, the required sample then would be:

$$n = (1.96)^2 (20)^2 \cdot \frac{1}{(1)^2} = 1536$$

From this it is evident that the degree of variability of a population has a marked effect on the size sample needed to estimate its mean value. Suppose now, however, we decided that we would be satisfied in the last case with a precision of only \$3—from the formula the sample then would be reduced to 171.

Here, as in the case of sampling for proportion of error, the required degree of precision has considerable effect on the sample size needed. Likewise, desired confidence level has an effect upon the size of the sample. Thus in the examples which were just shown, if we were content with a 90% confidence level rather than 95%, each of the samples would be reduced by approximately 30%.

As was stated, in the interest of simplicity of illustration, the formulae previously set forth were based on the assumption of an infinite population. However, when discussing them in terms of inventory valuations, this may seem a little unrealistic since inventories would rarely be infinite, unless we were to attempt something such as inventorying sand piles by counting the grains. However, to give an idea of the effect of considering the finite size of the population, if the calculations just made were to be applied to an inventory composed of 10,000 items, the sample size just calculated as 384 would become 369, that which was calculated as 1536 would become 1337, and the calculation of 171 would be reduced to 169. Generally speaking, consideration of population size in determining required size of sample becomes a material factor only when the sample otherwise would be greater than 5% of the

Probability Sampling in Accounting and Auditing

total population. Where this condition prevails, the following quite simple adjustment may be made to the first determined sample size:

Finite population correction factor:

$$n = n_0 \cdot \frac{N}{N + n_0}$$

Where:

n = Adjusted sample size

n_0 = Sample size based on assumption for an infinite population

N = Population size

Exploratory Sampling

Exploratory sampling was one of the first sampling techniques suggested for possible use by accountants and auditors—this was back in 1933. Its use has generally been associated with the discovery of fraud and since this is not the primary purpose of the usual type of examination, it has not been given a great deal of attention until recently. Current studies, however, indicate that it may have considerable possibilities for auditors in a variety of situations where it is desired to ascertain the existence of a particular type of error, without necessarily at the same time arriving at an estimate of the number of the errors of that type which exist. The concept of exploratory sampling is quite simple and may be illustrated with this example.

EXPLORATORY SAMPLING

Field 10,000; assumed errors, 1% or 100.

Then probability of *not* finding an error in

$$\text{a sample of size 1 is } \frac{9900}{10000}$$

$$\text{for the next sample of size 1 is } \frac{9899}{9999}$$

$$\text{And, successively, for a sample of } n \text{ items is } \frac{9900 - (n-1)}{10000 - (n-1)}$$

The probability of not finding any error in a sample of 300 is the product of the first 300 such probabilities, or approximately:

$$\begin{aligned} & \left\{ \frac{9900 - \frac{300}{2}}{2} \right\}^{300} \\ & \left\{ \frac{10000 - \frac{300}{2}}{2} \right\} \\ \text{OR } & \left\{ \frac{9750}{9850} \right\}^{300} = 4.7\% \end{aligned}$$

LYBRAND JOURNAL

Since above represents probability of *not* finding any error, the probability of finding at least one error is:

$$1 - .047 \text{ or } 95.3\%$$

Quite comprehensive tables have been developed for the application of the exploratory sampling techniques which indicate the probability of discovering at least one error for given sample sizes related to specified population sizes and assumed percentages of error in the population. These tables are also useful in determining the degree of assurance that may be associated with the statement that no more than a specified number of errors exist in a universe in cases where error free samples had been taken. To cite just one example (taken from a set of tables), if a sample of 475 items taken from a population of 3,000 reveals no errors, the table may be used to evaluate this result. It gives almost 100% assurance that no more than 50 errors exist, 97% assurance that no more than 20 are present, and 82% confidence that the population contains no more than 10 errors.

There are, of course, other sampling techniques than the two methods briefly discussed here and the third one which was just alluded to. This article shall not endeavor even to enumerate them, much less than to discuss them. However, their existence is here pointed out so that when an auditor encounters a situation where he thinks statistical sampling techniques may be of assistance to him, he should always bear in mind the need for use of the most effective and efficient plan. He will, in most instances, find it advisable to discuss the matter with a trained statistician in order to be assured that the plan he finally adopts is the most effective for the situation in which he wishes to apply it.

The New Partners

The Firm is pleased to welcome into partnership Messrs. William T. Barnes, Joseph M. Conder, Maurice B. T. Davies, Robert W. Davis, Robert W. Egner, Jerome Y. Halperin, Felix Kaufman, William B. Keast, George H. Kern, William J. McHugh and Fred E. Rhodes. Their records of service to our clients and to the Firm have in each case well merited this recognition and we are confident that they will meet their increased responsibilities in fullest measure.

ALVIN R. JENNINGS

WILLIAM T. BARNES

William T. Barnes was born in Beaver Dam, Kentucky, on February 18, 1915. He attended public schools in Hopkinsville, Kentucky, and continued his education at Ohio University and the Bowling Green (Ky.) College of Commerce, receiving a B.S. degree from the latter in 1942.

Mr. Barnes served as an officer in the mine-sweeping forces of the United States Navy for three years during World War II.

Mr. Barnes spent eighteen years in Government service with the Internal Revenue Service and with the Renegotiation Board before joining the staff of our Washington Office in October of 1956.

Mr. Barnes is a certified public accountant of the District of Columbia. He is a member of the American Institute of C.P.A.s, the District of Columbia Institute of C.P.A.s, and the National Association of Accountants.

Mr. Barnes is married and has three sons. The family resides in Kensington, Maryland.

JOSEPH M. CONDER

Joseph M. Conder was born in Winslow, Indiana, on January 27, 1921. He attended public schools in Indiana and Arkansas and received the B.S. degree from Arkansas State College in 1942.

Mr. Conder served in the U. S. Army from September 1942 until May 1946, attaining the rank of Major. Upon graduation from the Wharton School of Finance and Commerce of the University of Pennsylvania with the degree of M.B.A. in June of 1947, he joined the staff of the Louisville Office. He transferred to the Dallas Office in November 1958.



WILLIAM T. BARNES



JOSEPH M. CONDER



MAURICE B. T. DAVIES



ROBERT W. DAVIS



ROBERT W. EGNER



JEROME Y. HALPERIN

The New Partners

He is a certified public accountant of Texas, Kentucky and Indiana, a member of the American Institute of C.P.A.s and of the Texas and Kentucky Societies of C.P.A.s.

Mr. and Mrs. Conder and their daughter reside in Dallas.

MAURICE B. T. DAVIES

Maurice B. T. Davies was born in London, England, in October 1913, attended schools in England, and became a citizen of the United States in 1952.

He was in the British army in World War II as an infantry officer, and served the last two years of the war with the Combined Chiefs of Staff Organization in the rank of Major. After several years in public accounting, industry and management consulting, he joined our Tulsa Office in July 1957. He was transferred in 1959 to Los Angeles, where he is Director of the Western Region, Management Services.

He is a member of the American Institute of C.P.A.s and the state societies of New York, Oklahoma and California, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Davies and his wife live in Hollywood Riviera, California.

ROBERT W. DAVIS

Robert W. Davis was born in Defiance, Ohio, on April 14, 1922. He attended public schools in Defiance and was graduated from Kenyon College with an A.B. degree in September, 1943. After three years as an Officer in the Navy, most of which was spent on a Destroyer Escort in the Atlantic Theatre, he attended the University of Michigan. While at the University he was elected to membership in Beta Gamma Sigma and Phi Kappa Phi. He received his M.B.A. degree from the School of Business Administration in 1948, and joined the Cincinnati Office of the Firm in August of that year.

Mr. Davis is a certified public accountant of Ohio. He is a member of the American Institute of C.P.A.s and the Ohio Society of C.P.A.s, and has served on various committees of these organizations. He has been President, Vice President and Secretary-Treasurer of the Cincinnati Chapter of the Ohio Society of C.P.A.s.

Mr. and Mrs. Davis and their three sons make their home in Madeira, a suburb of Cincinnati.



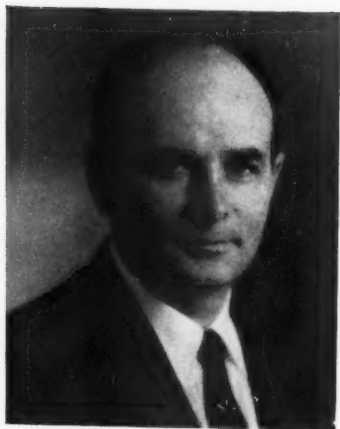
FELIX KAUFMAN



WILLIAM B. KEAST



GEORGE H. KERN



WILLIAM J. McHUGH



FRED E. RHODES

ROBERT W. EGNER

Robert W. Egner was born in Queens, New York, on August 22, 1922. He was educated in the public schools there and was graduated from Pace Institute in April 1943. Upon graduation, he began active naval duty and after commissioning, served for two and one-half years as a gunnery officer aboard a heavy cruiser in the Atlantic, Mediterranean and Pacific Theatres. Following his release from active duty and after a short period on the staff of another accounting firm, he joined the staff of the New York Office in January 1947.

Mr. Egner is a certified public accountant of New York. He is a member of the American Institute of C.P.A.s, the New York State Society of C.P.A.s and the New Jersey Society of C.P.A.s. He served for a number of years on the Committee on Public Utilities Accounting of the New York State Society of C.P.A.s and is presently serving on the Committee on Public Relations of that organization and on the Committee on Auditing and Accounting Principles and Procedures of the New Jersey Society of C.P.A.s.

Mr. and Mrs. Egner and their three children make their home in River Edge, New Jersey.

JEROME Y. HALPERIN

Jerome Y. Halperin was born in Detroit, Michigan on April 13, 1930, and received his early education in the Detroit public schools. He is a graduate of the School of Business Administration of the University of Michigan.

He has been active in the Michigan Association of C.P.A.s and is currently a member of the State Taxation Committee. He is also a member of the American Institute of C.P.A.s.

Mr. Halperin is an instructor in the Adult Education Division sponsored by Wayne State University and the University of Michigan where he conducts a course in advanced taxation for practicing accountants and part of the C.P.A. Review Course.

He is married, has one son and lives in Huntington Woods, Michigan.

FELIX KAUFMAN

Felix Kaufman was born in New York City on November 13, 1921. He attended public schools in Long Beach, New York and graduated from the School of Business of the University of Chicago in 1942.

LYBRAND JOURNAL

During World War II he served as a radar maintenance officer in the Air Force, returning from military service in 1946.

After the war Mr. Kaufman continued his education at the University of Chicago, receiving his M.B.A. in 1948. Subsequently, he taught accounting at Drake University and the University of Rochester. In 1953 he left teaching to join the electronic data processing program of the Radio Corporation of America. Subsequently he was Controller and Vice President in charge of administration for Ruder & Finn, Inc., and also engaged in independent consulting in the field of electronic data processing. He joined the Management Services Research & Consulting Division of the Firm when it was formed in 1957.

Mr. Kaufman received his Ph.D. degree from the University of Chicago in 1960. He is a certified public accountant of Pennsylvania and New York and a member of the American Institute of C.P.A.s.

Mr. Kaufman is married and has two sons. The family currently resides in Levittown, Pennsylvania.

WILLIAM B. KEAST

William B. Keast was born in San Francisco, California, on February 27, 1926. He received his early education in the public schools in the Bay Area, attended Stanford University and after an interval with L.R.B. & M. and United Air Lines in San Francisco, he continued his education at the University of California in Berkeley, graduating in January 1950 with a B.S. degree in Business Administration. He joined the staff of the Philadelphia Office in April 1950 and transferred to the Boston office on September 1, 1960.

Mr. Keast is a certified public accountant of Pennsylvania, a member of the American Institute of C.P.A.s, the Pennsylvania Institute of C.P.A.s and the National Association of Accountants. He has served on numerous committees of the Pennsylvania Institute and its Philadelphia Chapter, recently completing a term as Director of Members Service of the latter organization. Prior to transferring to Boston, Mr. Keast was Treasurer of Aronimink Golf Club in Newtown Square, Pa.

Mr. and Mrs. Keast, with their three daughters and son, reside in Wayland, Massachusetts.

GEORGE H. KERN

George H. Kern was born on May 13, 1918 in Chicago, Illinois. He attended Chicago public schools and graduated from Northwestern University with a degree of Bachelor of Science in Business Administration. Prior to joining the tax staff of our Chicago Office in 1957, he was on the staff of our Rockford office for three years and with the Internal Revenue Service for twelve years as an agent and Appellate Division conferee. He served in the Navy during World War II.

Mr. Kern is a certified public accountant in Illinois and a member of the American Institute of C.P.A.s and the Illinois Society of C.P.A.s.

The Kerns live in Park Ridge, Illinois with their four children—a boy and three girls.

WILLIAM J. McHUGH

William J. McHugh was born in Inwood, N. Y., on August 19, 1917. He attended parochial and public schools in New York City and was graduated with honors from the evening session of The School of Business and Civic Administration of The College of the City of New York in 1940. During World War II, he was a line officer on destroyer duty, serving in both the Atlantic and Pacific. Shortly after his release to inactive duty as Lieutenant (senior grade), he joined the staff of our New York Office.

Mr. McHugh is a certified public accountant of New York and is a member of the American Institute of C.P.A.s and of the New York State Society of C.P.A.s. He and his wife, Moira, and their seven children live in Scarsdale, N. Y.

FRED E. RHODES

Fred E. Rhodes was born in Omaha, Nebraska on June 11, 1905. He attended elementary schools in Portland, Oregon and Seattle, Washington and graduated from Central High School in Sioux City, Iowa in 1925. He continued his education at the University of Nebraska and Northwestern University. After several years with a bank in Sioux City and later with a security investment firm in Chicago, he joined the staff of R. G. Rankin & Co. in their Chicago office in 1932. For a portion of the next ten years he was loaned to the controller's division of Marshall, Field & Co., and

LYBRAND JOURNAL

to the mail order division of Sears, Roebuck & Co. In 1942 he moved with his wife and two children to Los Angeles and joined the staff of Thomas & Moore and later became a partner. The practices of this firm and of Lybrand, Ross Bros. & Montgomery were merged on January 1, 1958.

Mr. Rhodes is a member of the Stock Exchange Club of Los Angeles, a member of Town Hall, a charter member of the Board of Southern California Presbyterian Homes (for retired people), an active member of the Los Angeles Chamber of Commerce, the California Society of C.P.A.s, and the American Institute of C.P.A.s.

Mr. and Mrs. Rhodes reside in Pasadena.

The New Principal

The Firm has recently created the classification of "principal," effective July 1, 1960.

To be eligible for a principalship, an individual must possess all of the personal qualifications, including specialized education, training and experience in his particular field of competence, which would be required for admission to partnership with the important exception that he is not a certified public accountant and, because of type of education or experience, he is not eligible to qualify for the C.P.A. certificate. Because of his other qualifications and the importance of his functions, a principal is equivalent in rank to a partner in the structure of the Firm.

We are pleased to announce that we have appointed Dr. Frank P. Smith, Director of Education and Personnel, as the first principal.

ALVIN R. JENNINGS



DR. FRANK P. SMITH

LYBRAND JOURNAL

FRANK P. SMITH

Frank P. Smith was born in Lothrop, Montana, on August 12, 1906. He attended public schools in Montana and Idaho, graduated from the Idaho Technical Institute in 1926, from the College of Commerce of the University of Washington in 1930 and from the Graduate School of Yale University with the degree, Doctor of Philosophy in 1935. His university experience includes four years as an instructor at Yale University, seventeen years at the University of Rochester, the last five as Dean of the Graduate School and six years at the University of Michigan as Director of the Bureau of Business Research. He also had several years' experience as an accountant in private industry in the Northwest, served as a Research Accountant with the S.E.C., and was Chief Accountant and Assistant Director of the Accounting Division of the Office of Price Administration until he was commissioned into the Army Air Corps in 1943. He served as Executive Officer and Deputy of the Field Hq., Contract Audit Branch until 1946 when he returned to the University of Rochester.

Dr. Smith is the author of "Management Trading," (Yale Press), co-author with W. J. Eiteman of "Common Stock Values and Yields" (University of Michigan), and was Study Director and a Member of the Commission on Standards of Education and Experience for C.P.A.s. He was President of the American Accounting Association in 1954 and Editor of "The Accounting Review," 1949-1958. He came to the Firm in 1958 as Director of Education; on October 1, 1959, he was named Director of Education and Personnel.

Dr. Smith is married and has two sons. The family resides in Llewellyn Park, West Orange, N. J.

The 1960 Central Audit Training Schools

The 1960 Central Audit Training Schools

By Charles C. Martin (New York Office)

Introduction

The 1960 centralized audit training programs for members of the audit staff consisted of the Elementary Course held during the four-week period of July 25–August 19, and the Advanced Course conducted during the two-week period of June 13–24. The Elementary Course was attended by 130 trainees, including three staff members of the Toronto office of Coopers & Lybrand and a member of the staff of the National Iranian Oil Company. The Advanced Course was attended by 100 trainees, including a staff



Section A

Row 4 (Top Row)

R. A. ALBRIGHT (Philadelphia), J. H. HOLZAPFEL (Pittsburgh), R. L. BAER (Rockford), L. S. MITCHELL (Boston), C. W. DANIEL (Tulsa), B. C. JOHNSTON (Coopers & Lybrand), B. G. NIMMER (Detroit).

Row 3

D. I. GUERRA (Houston), A. R. BARRON (Los Angeles), J. F. FENNELLY (Boston), J. P. DOLAN (New York), D. C. FEISTNER (Chicago), C. J. GORDON (New York), T. R. ROCK (Boston), G. A. LARSEN (New York), R. M. FOLSOM (Chicago).

Row 2

J. L. TRACY (Cleveland), A. J. CHAMBERLAND (Boston), J. D. ELLETSON (Chicago), J. F. COOK (Cincinnati), H. CZERMAK (San Francisco), J. P. ZIDAR (Cleveland), B. W. LEE (Dallas), R. D. BASSEY (Detroit), R. C. BAISDEN (Hartford).

Row 1—Instructors (Bottom Row)

W. T. HARRISON (New York), J. P. BULEZA (Cleveland), J. D. MUTH (Chicago).

LYBRAND JOURNAL

member of the firm of McCammon, Morris, Pickens & Mayhew of Fort Worth, Texas.

Two resident partners of the New York Office, Messrs. Louis C. Moscarello and Norman E. Auerbach, participated in the general operation of the two courses. Mr. Moscarello had over-all responsibility for the two programs and lectured in both courses. Mr. Auerbach directed the tax phase of the Advanced Course. The partners were assisted by a total of 26 audit and tax staff members, from eleven offices, who served as instructors during one or both of the programs. The offices and number of instructors were as follows:

Office	Number of Instructors		Number of Different Instructors
	1960 Elementary	1960 Advanced	
1. Boston.....	..	2	2
2. Chicago.....	1	..	1
3. Cincinnati.....	1	..	1
4. Cleveland.....	1	1	1
5. Dallas.....	1	..	1
6. Detroit.....	1	..	1
7. Los Angeles.....	2	1	2
8. New York.....	6	7	11
9. Philadelphia.....	2	3	4
10. Pittsburgh.....	1	..	1
11. San Francisco.....	..	1	1
Totals.....	16	15	26

A number of other partners and staff men from the New York, Philadelphia and Detroit Offices participated in seminars.

The class arrangements were substantially the same in the two programs. Each group of trainees was divided into classes, five in the Elementary and three in the Advanced Course, with each class divided into two or three units. One instructor was assigned to each unit, which permitted him to concentrate his attention on approximately ten trainees. At appropriate times, the instructors were reassigned within each class to provide the benefits of limited rotation.

The tremendous teaching values afforded by individual help and review were fully recognized throughout both programs. During class periods when the students were engaged in the



Section B

Row 4 (Top Row)

A. E. BULSON (New York), R. J. COLLEY (Philadelphia), J. WOOD (New York), H. J. TOMES (New York), G. F. McDOWELL (Rockford), R. E. McDONALD (Dallas).

Row 3

H. R. PEARCE (Philadelphia), J. K. ZIEGLER (New York), D. L. MOHNKERN, JR. (Pittsburgh), R. REITHMEIER (Rockford), E. E. SIMPSON (San Francisco), C. DETHERIDGE (Toronto), J. A. PACKARD (Boston), W. SCHLINGEN (Chicago), C. VAN DUSEN (Detroit), L. E. EBERLING (Los Angeles).

Row 2

B. M. GARVIN (Boston), R. FRIEST (Chicago), D. C. VENTRE (Cincinnati), A. E. SMITH (Chicago), M. DERRY (Detroit), J. L. MACNEIL (Hartford), S. R. HOWE (Boston), P. F. BETTS (New York).

Row 1—Instructors (Bottom Row)

S. L. BIRES (Dallas), R. D. PRESTON, JR. (New York), R. J. BORGMANN (Los Angeles)

preparation of working papers or reports, the instructors were available to answer questions or to discuss any portion of the work. All working papers and reports prepared were reviewed by the instructors, usually in the presence of the student.

An ideal campus environment essential to meet the requirements of an intensive program of study was provided by Drew University. The trainees lived on the campus and had access to all recreational facilities of the University, including indoor courts for basketball, handball and badminton, a large swimming pool and tennis courts and a softball field.

The Elementary Course

This course is designed to equip the new staff member with the practical auditing skills needed in his first few years on the audit staff. Emphasis is placed on the preparation of working papers and the role of the beginning staff accountant in each phase of an audit. The immediate training needs of the beginning

LYBRAND JOURNAL

auditor, such as cash work, receivable confirmations and aging, inventory observation, and vouching, are stressed. Longer-range training areas, such as inventory pricing, plant and depreciation, capital and dividends, are also covered. As a whole, the course provided the trainees an insight into the Firm's policies and procedures and served as a refresher in accounting principles and auditing procedures.

The program included central lectures, group lectures and discussions, working paper preparation, assigned readings, examinations and seminars. A substantial amount of work outside the classroom was necessary in order to meet the requirements of this program.

Two especially successful phases of the course concerned the preparation of an internal control questionnaire and the evaluation



Section C

Row 4 (Top Row)

A. PERBONE (Chicago), E. W. TAYLOR (Detroit), M. S. LABE (Los Angeles), R. H. HURD (New York), R. H. KIRKPATRICK (San Francisco), G. S. THUMLERT (Philadelphia), K. MASIMORE (Chicago), A. PETERSON (Chicago), H. MILLER (Detroit), R. A. JEZIEWSKI (New York).

Row 3

D. FRETTE (Philadelphia), M. STERN (New York), K. D. NADER (Pittsburgh), P. GREENE (New York), J. R. MIDDLESWORTH (Philadelphia), J. E. MCLAUGHLIN (New York), S. I. SPERO (Pittsburgh), J. U. YOUNG (Philadelphia), A. D. MARSHALL (New York), R. F. DOOLAN (San Francisco).

Row 2

J. R. HAMILTON (Coopers & Lybrand, Toronto), E. M. BUSH (New York), J. R. GRIFITHS (Philadelphia), J. M. HETHERINGTON (New York), E. V. GOTTLIEB (San Francisco), H. C. MOORE (Philadelphia), R. E. WUNDER (Boston), L. L. JACOBI (Detroit), K. V. DOMINGUES (Los Angeles).

Row 1—Instructors (Bottom Row)

G. J. PRAMSTALLER (Detroit), J. F. TARICANI (Philadelphia), C. R. HUTCHINSON (Los Angeles).



Section D

Row 4 (Top Row)

P. S. JONAS (New York), R. A. HARNER (Philadelphia), R. KLEE (New York), E. SATLIN (New York), S. R. NEYER (Philadelphia), D. S. GRANT (New York), R. W. GOOD (Philadelphia), K. M. VIERCK (Chicago), M. RUBIN (New York), J. J. MCGINN (Philadelphia).

Row 3

A. PETERSON (Chicago), D. M. KARHNOFF (Detroit), A. RUTTENBERG (New York), R. H. KRAUSE (Los Angeles), J. A. FALCONE (Philadelphia), P. A. SLOMAN (New York), J. R. GRONEMAN (Los Angeles), J. VAN DEN BERG (Detroit), R. TOOL (Chicago), R. J. WOODS (Detroit), L. A. LEOCHNER (Los Angeles).

Row 2

G. M. SHORE (New York), H. B. HEATH (Los Angeles), B. E. HAGEN (New York), J. V. HARTMAN (Philadelphia), H. HOCHUCHT (New York), H. W. LOOMAS (Los Angeles), R. H. MILLER (New York), J. P. LOUCKS (Philadelphia), G. SHAW (Chicago).

Row 1—Instructors (Bottom Row)

R. E. GILBERT (Philadelphia), H. A. HUENE (New York), R. C. GRAY (Cincinnati).

of a specific audit program as related to a medium-sized industrial corporation, the subject of the audit practice set used in both the Elementary and Advanced Courses. Upon completion of the internal control questionnaire, and the prescribed auditing procedures applicable to each major section of the practice set, the student was expected to comment on any audit steps which should be added, deleted, revised or performed at a time other than that called for by the program. This critical review of the audit program emphasized to the trainees the relationship of a specific system of internal accounting control and internal check to the selection, extent of application, and timing of auditing procedures.

Reading assignments included applicable chapters of *Montgomery's Auditing*, and the Course Manual containing supplemental material written by the instructors. The Course Manual is designed to explain and illustrate, largely by use of examples, various sections of the related chapters in *Montgomery's Auditing*. The manual has been used on an experimental basis by a number of colleges during the past two years. Work is now in progress on a revision of this material for publication next Spring.

LYBRAND JOURNAL

Seminars were presented by partners and members of the staff as follows:

<i>Subject</i>	<i>Speaker</i>
FIRM ORGANIZATION:	
Central Firm and Audit Staff.....	W. R. Staub
Tax Department.....	N. E. Auerbach
Management Services Department.....	F. Kaufman
Coopers & Lybrand.....	J. J. Mahon
DOMESTIC DEVELOPMENT.....	J. J. McCullough
HISTORICAL DEVELOPMENT OF AUDITING	
STANDARDS:	
McKesson Case and Influence of the SEC.....	L. C. Moscarello
Drayer-Hanson, Thomascolor and Seaboard Finance Cases.....	C. Forcheskie
L.R.B. & M. PERSONNEL POLICIES:	
Personnel Policies.....	F. P. Smith
Relationships with Clients & Staff.....	P. L. Defliese



Section E

Row 4 (Top Row)

W. R. PARIENT, JR. (Chicago), R. S. ODAMS (Boston), G. C. JOHNSON (Detroit).

Row 3

J. R. MORGAN (New York), J. L. COTTRELL (Philadelphia), D. J. LEWITTES (New York), J. E. FOUCHT (Detroit), P. M. NUNN (Philadelphia), P. J. SALMON (New York), J. F. McCABE (Philadelphia).

Row 2

M. K. TAKESIAN (Boston), T. J. MCHUGH (New York), W. H. BURKHART (Detroit), W. J. SCULLION (New York), N. L. CHRISTOPHER, JR. (Philadelphia), R. E. HURLEY (New York), R. M. FEATHERSTONE (Detroit), M. J. LOULA (Chicago).

Row 1—Instructors (Bottom Row)

P. E. MONTGOMERY (Pittsburgh), C. S. FORCHESKIE (New York).



Instructors

(Top Row)

R. GILBERT (Philadelphia), J. TARICANI (Philadelphia), J. P. MUTH (Chicago), R. J. BORGMANN (Los Angeles), R. D. PRESTON, JR. (New York), R. C. GRAY (Cincinnati), W. HARRISON (New York), C. R. HUTCHINSON (Los Angeles).

(Bottom Row)

G. PRAMSTALLER (Detroit), C. FORCHESKIE (New York), J. MONTGOMERY (Pittsburgh), P. G. HELLER (New York), H. A. HUENE (New York), J. P. BULEZA (Cleveland), S. L. BIRES (Dallas).

All trainees, except one, were college graduates, and nineteen hold master's degrees. More than one-half of the group had served in the Armed Forces and one-third of the men had some prior public accounting experience, the amount ranging from six months to one year. Twenty-seven of the trainees previously served internships.

The Advanced Course

Although the Advanced Course represented essentially the reconvening of the 1959 Elementary Course, there were a number of changes in the student body. These resulted principally from temporary separation of trainees from the staff for service in the Armed Forces, from pressing engagements, and the enrollment of a number of trainees who did not attend the 1959 Course.

The Course program included an initial period of review work pertaining principally to inventories and tax allocation. The major part of the program was devoted to advanced training. The subjects covered included the preparation of the financial statements and schedules required for the S.E.C. annual report (Form 10-K), short and long-form reports, federal income tax returns, and internal control letters based in large measure upon the working papers prepared in the Elementary Course in 1959. These subjects were supplemented by class problems, all of a practical

LYBRAND JOURNAL

nature, and by written assignments. In addition, a careful analysis was made of the auditor's report and the financial statements included in the published annual reports of four corporations.

The tax phase of the Advanced Audit Course was under the immediate direction of Mr. Sidney Kess of the New York Office. The instruction was directed by four tax specialists, with the assistance of the audit instructors who had supervised the prior auditing and reporting phases.

The training provided in the Advanced Course, although well received by the students, may possibly be somewhat premature for men of such limited experience. This observation had also been made of the Advanced Course as presented in prior years. However, it was felt that the immediate benefits of enabling these men to understand more fully the information needed in working papers and the purpose for which such information would be included warranted presentation of the course at an early stage in the staff member's development. After careful evaluation of this policy, however, the decision has been reached to defer this course for one year. All students in the Advanced Course will thus have the benefit of two years' experience in the field and will have more immediate opportunities to use this advanced training. Accordingly, the next Advanced Course will be presented in the Summer of 1962 for those who participated in the Elementary Course in 1960.



A Central Lecture at the Elementary Audit Course at Drew University



The Class at the Advanced Audit Course

Row 7 (Top Row)

DONALD E. HALLOCK (New York), DONALD A. KLASSEN (New York), JOHN E. YOUNG (Rockford), JOHN J. VECCHI (Boston), PAUL L. HASSMAN (New York), JOSEPH S. KUTAS (Detroit), JAMES K. KARDORUS (Tulsa), LEONARD T. RICCARDO (New York), PAT ROSSI, JR. (Los Angeles), JOSEPH S. VOGTLE (New York), WILLIAM T. FLAHERTY (Chicago), JOHN R. WICKS (Detroit), ROGER P. SMITH (Detroit), JAY R. CONWAY (Philadelphia).

Row 6

HENRY L. RUDIO (Boston), JOHN L. SULLIVAN (Chicago), ELI WEINBERG (New York), NORMAN N. GRIFFIN (Detroit), GAETANO C. GRECO (Hartford), PAUL PIKE (Los Angeles), ROBERT S. FORD (New York), GARY MOZENTER (Philadelphia), WILLIAM H. SNYDER (Pittsburgh), EDWIN J. GEILS (New York), GERALD B. WILLIAMS (Rockford), JAMES M. SMITH (Boston), MARK C. WALKER (Chicago), JOSEPH A. GIUFFRÉ (New York), ALVIN C. STIPA (Philadelphia), CLIFTON H. MORRIS, JR. (McCammon, Morris, Pickens & Mayhew, Fort Worth, Tex.), ROBERT J. SMITH (Hartford).

Row 5

JOHN H. FRITSCH (Detroit), ALBERT J. FOX (Pittsburgh), PETER G. HELLER (New York), FERNANDO LOMBARDI (Philadelphia), WALTER M. JOHNSON, III (New York), WILLIAM S. KING (New York), VINCENT A. MURPHY (Boston), DAVID A. ROYALTY (Chicago), ROGER P. LALIME (New York), ROBERT C. PACE (Los Angeles), DON FREEMAN (Tulsa), WILBUR P. PROMM (Detroit), CLARK D. RICHEY (New York), JIMMY R. SHELBY (Birmingham), ARTHUR E. STRUNK (Detroit), RALPH ZABLOUDIL (Chicago), JAMES C. SUTLIFF (New York).

Row 4

KENNETH D. WILLIAMS (New York), HARRY E. HINDMAN (Chicago), EDWARD B. RENNEKER (Cincinnati), WILLIAM T. HENDRIX (Dallas), WILLIAM D. JOHNS (Detroit), ROBERT T. RICE, JR. (Hartford), NELSON R. GILBERT (Los Angeles), LAWRENCE H. BERMAN (New York), KENNETH J. KAISER (Philadelphia), ROBERT A. IMHOFF (Detroit), THOMAS J. CLIFFORD (New York), TERENCE J. MCMAHON (Rockford), JAMES M. GUERTIN (Detroit), JAMES L. CRAIG, JR. (New York), FRANK R. GILSDORF (Detroit), STEPHEN R. GOLDENBURG (New York), GERALD R. PERLSTEIN (Los Angeles), WALTER H. JORGENSEN (Detroit).

Row 3

JOSEPH E. HENEHAN (Philadelphia), DAVID J. FARLING (Philadelphia), GLEN R. COLE (Rockford), WILLIAM C. GREENE (Boston), STANLEY J. DOBRANSKI (Detroit), NEAL M. EDWARDS (Los Angeles), DONALD L. CARLILE (New York), RICHARD F. HYLAND (Philadelphia), DONALD R. JONES (Boston), PETER P. HARRISON (Chicago), THOMAS R. HANLEY (New York), LARRAMOUR E. FREEMAN (Pittsburgh), CARL M. MOSER (Los Angeles), JOHN L. SISK (Pittsburgh), JAMES A. VAN HOECK (Detroit), JOSEPH M. WHALEN (Boston), RICHARD A. BALDWIN (Seattle).

Row 2

FRANK C. HICKS (Houston), HENRY P. ANSTADT (Philadelphia), RALPH W. EILERS (Chicago), RONALD F. HENKE (Cincinnati), JOHN E. CUTLER (Los Angeles), JOHN M. BLACK (Seattle), DONALD C. MORSE (Hartford), THOMAS T. GILES (San Francisco), ALBERT D. BROWN (Los Angeles), GEORGE E. BOULLIANE (New York), REYNOLD A. HANDWERK (Philadelphia), LEE D. FRANKS (Pittsburgh), HARLEY M. COURTNEY (Rockford), LEONARD L. CREWSE (St. Louis), THOMAS CASOGGLOS (Detroit), DAVID V. BURGETT (Los Angeles), VICTOR M. BRADY (New York).

Row 1—Instructors (Bottom Row)

JOSEPH K. TARICANI (Philadelphia), HAROLD VANDER MALLE (New York), ROBERT J. BORMANN (Los Angeles), FRANK G. BEATTY (New York), CHARLES MACREADY (Boston), CHARLES C. MARTIN (New York), HERBERT A. HUENE (New York), JOHN P. BULEZA (Cleveland), HUBERT BRINK, JR. (Philadelphia), JAMES B. ALFANO, JR. (New York), JOHN THORNTON (New York).

Going to Press—Another Firm Publication

By James B. Alfano, Jr. (New York Office)

Introduction

The first edition of "Montgomery's Auditing" was published in 1912 in answer to the demand for a practical book on auditing. It was designed for use by students as well as the profession. It is presently in the eighth edition and has become recognized as the leading reference work in the field.

Over the years, our educational process has changed. For obvious reasons, textbooks are now more selective in content and approach and lean heavily upon a combination of text and problem material. Consequently, a reference book is no longer synonymous with a good text for instructional purposes. This was the first impetus revolving around the decision to publish an auditing textbook for students.

Each year, the Firm conducts a lengthy course for the training of new staff men. If the material included in this training program was covered in the staff man's undergraduate or graduate work prior to joining the Firm, the time allotted to this work could be diverted to more advanced topics, and to specialized areas. In this way, both the individual and the Firm would benefit by accelerating the preparation necessary for advancement to more responsible assignments. Thus, another reason was established for considering the need for an auditing text.

Recently, the Council of the American Institute of Certified Public Accountants adopted a series of recommendations by the Special Committee on the Report of the Commission on Standards of Education and Experience for C.P.A.s. Included in this report and endorsed by the Council was the recommendation of the Commission "That the accounting profession should offer more assistance to colleges in the development of courses of study in accounting." This was the final motivating force; the timetable was revised to bring about the publication of the student supplement to "Montgomery's Auditing" at the earliest possible date.

Firm Audit Training School

In the Summer of 1957, the Firm held its first centralized audit training program. The course consisted of four weeks of full time

Going to Press—Another Firm Publication

instruction designed to equip the new staff member with the practical auditing skills needed in his first few years on the audit staff.

A program of this nature could not be conducted without adequate course materials as well as a detailed program of instruction for each of the sessions. "Montgomery's Auditing" was used as the basic text together with a student supplement containing materials written specifically for this program by Philip L. Defliese. Mr. Defliese, a partner of the New York Office, as well as an adjunct professor of accounting at Pace College and co-author of the eighth edition of "Montgomery's Auditing," was directly in charge of the program. In addition to developing the student supplement, he set the pace and teaching approach for handling the material included in the curriculum.

The supplement was revised in the Spring of 1958 and again used in the Summer sessions. At the conclusion of these sessions, the students rated the supplement the most valuable portion of the course. The supplement was now ready to be tested by others.

Experimental Stage

The problems of distribution during this stage of preparation were turned over to Dr. Frank P. Smith, the Firm's National Director of Education and Personnel. A few colleges and universities were contacted and notified of an experimental draft available for use in connection with a "field testing" program. Distribution under the program included requests for comments on the supplement's subject matter, its "working" in the classroom, and its basic approach to the teaching of auditing. During the Spring term of 1959, the following six schools participated in the program: University of Alabama, Columbia Graduate School of Business, Harvard Graduate School of Business Administration, Michigan State University, University of Iowa, and the University of Texas. During the school year 1959-1960, three of these—Alabama, Columbia and Harvard again used the supplement and eight others—Cornell University, Duke University, Evangel College, Northeastern University, Northwestern University, University of Chicago, University of Notre Dame, and University of Pittsburgh joined in the experiment. Two others, the University of Akron and the University of Massachusetts will be using the materials this Fall.

LYBRAND JOURNAL

Need for Revision

It was now apparent that the supplement used in our training school had to be revised in many respects for use by colleges and universities. In essence, two distinct supplements were needed—one for publication and one for our own training purposes.

At the outset, it was considered necessary to eliminate certain sections pertaining to accounting principles that are usually covered in accounting courses. Most accounting curriculums require a specified number of accounting courses as a prerequisite to an auditing course. In order to avoid possible duplication of material taught in other courses, an assumption as to prior coverage of this material was made. For our new staff men, the deleted sections are considered as part of the refresher work essential to establishing a sound basis for consideration of the auditing procedures in each phase of the course.

Attention was then directed toward further selection of material to be included in an auditing course with prescribed time limitations for coverage of the subject, as well as the usual course objectives. In this area, contrary to what might have been expected, material had to be added as well as deleted. Less emphasis was placed on "mechanics" and greater emphasis on specimen audit programs.

Finally, consideration was given to better organization and rearrangement of material. Deviation from the chapter sequence in "Montgomery's Auditing" was necessary to present the material to the student in the sequence most easily taught and understood. The same approach was followed for rearrangement of material within each chapter.

Objectives of the Supplement

The supplement is designed to be covered adequately in a 30-hour course, yet flexible enough to be utilized appropriately in a 60-hour course with or without an audit practice case. The material has been carefully selected and presented so that it is easily comprehensible by the average student having no previous auditing background. No one segment of the text could be "brushed over" lightly if this objective was to be dealt with competently.

The basic approach to the text is that auditing can be taught effectively in the classroom. It is intended to clarify and illustrate

Going to Press—Another Firm Publication

"Montgomery's Auditing" and to give the student both a working knowledge of the subject and a thorough foundation in the thinking and exercise of judgment necessary for deciding, under the circumstances, "what to do" and "how and why to do it." The text also emphasizes disapproval of the sometimes dangerous method of memorizing auditing procedures generally followed for each phase of the ordinary examination leading to the expression of an opinion.

Conclusion

The publication "target" date has been set for the Spring of 1961. There will also be available an instructor's manual which includes course outlines, solutions to problems and objective tests covering both "Montgomery's Auditing" and the supplement.

It is hoped that the combination of "Montgomery's Auditing" and the student supplement will satisfy the needs of colleges and universities for practical, yet comprehensive and up-to-date classroom material for courses in auditing. This need must be met if our present day graduates are to cope with the challenges that await them in the practice of public accounting.

Reporting to Clients on Management Services Engagements*

By M. B. T. Davies

The style used in producing reports arising from management services engagements may differ widely. Each office will have its individual preferences, and the writer of the report will reflect his own individuality. More importantly, the form, content and style will need to be molded to create the maximum impact on the client, as its end-user.

However, despite these overriding considerations, there are some ground rules which may serve to make reports more readable and convey their purport with increased clarity.

I. Structure

The structure and sequence of the report might follow these lines:

1. *Lead sheet with titles*

The lead sheet of the report should show, in underlined block capitals, the client's name, the nature of the engagement, and the date.

2. *Transmittal letter*

The transmittal letter should follow the lead sheet, and should be brief. Its contents can well be confined to:

- a statement of the purposes of the engagement
- a summary of the highlights
- acknowledgment of cooperation.

3. *Table of contents*

Except in the shortest of reports, a table of contents should be provided. Headings should correspond verbatim with those in the report, and the contents should include a list of exhibits and appendixes. (Exhibits should be included within the text—similarly to tables in a textbook; appendixes should follow the text.)

In a long report, it may be preferable to provide a table of contents immediately preceding each chapter or section.

4. *The main text*

The main body of the text should generally be divided into chapters or sections. If the report is of sufficient length, each chapter should start on a new page; it should be titled with block capitals, underscored, and preceded by a Roman numeral.

*This is a summary of a presentation made at the Western Region Management Services Conference May 5, 1960.

Reporting to Clients on M. S. Engagements

Chapters should start with brief lead-in statements. A concluding statement, if needed, should bring the chapter to an end, generally preceded by a row of asterisks.

Whenever appropriate, final chapters should deal with such matters as:

- implementation of the recommendations made in the report
- benefits arising to the client
- other matters requiring consideration.

II. Recommendations

An engagement is generally conducted for the purpose of recommending action by the client. Each recommendation should be expressed in the imperative—using an “action verb”—and should be stated in the form of an underlined caption-heading, preceded by an Arabic numeral.

The following are illustrative of so-called “action verbs”:

- Install a method that
- Take steps to control
- Prohibit the use of
- Adopt a plan for
- Continue using the
- Develop a system for
- Eliminate the records
- Transfer the inventory function
- Combine the two sections

Recommendatory captions should be precise, and should be capable of being understood in themselves. They should preferably be expressed in one sentence, but may extend over more than one line.

In general terms, a recommendation should contain four elements:

1. A statement of the conditions, with particular reference to any weaknesses
2. Comments on the results, or possible results, of those weaknesses
3. A precise statement of the action recommended
4. The benefits to be attained from following the recommended action.

As the circumstances are often too simple to warrant a separate statement on each of these four points, the approach may frequently be abbreviated. Nevertheless, this reasoning pattern should always be observed in spelling out recommendations.

It is sometimes appropriate to make a broad recommendation, covering a general course of action, and to support it by a series of subsidiary recommendations. These latter should generally be numbered with Arabic numerals in parentheses, and should be

LYBRAND JOURNAL

indented, following the broader recommendation to which they relate.

Recommendations should be presented in an easily readable sequence, following each other naturally. There should be a minimum need for referring back, and practically no need for referring to recommendations appearing later in the report.

III. Observations

In some engagements—and in some sections of a report—attention needs to be directed to a statement of facts rather than to recommendations. Principal observations of this type may be expressed as underlined caption-headings. For example:

- Production costs have steadily increased in relation to sales volume
- Excessive preoccupation with routine matters has prevented the executives from devoting sufficient attention to the company's long-range business plans.

Statements of this nature should be supplemented with textual data elaborating on them and, where appropriate, providing concrete illustrations.

The mixture of statements of observation and statements of recommendation, as caption-headings, should be avoided in any one chapter.

IV. Expression

A critical review of several published and draft reports evidences a need for greater attention to reporting style. The following suggestions for DO's and DON'T's are offered:

DO's

1. Write sentences in the active, rather than the passive, voice. (The use of the passive allows too great a latitude for sloppy thinking—absence of a subject.)
2. Use short sentences; as a matter of style, they are often most effective when interspersed between long sentences.
3. Keep paragraphs short; long ones tend to lose the reader's interest.
4. Leave plenty of white space on the page; it adds to reading ease. For example:
 - (1) Tabulate ideas in separate sentences starting on separate lines.
 - (2) Use tables rather than knitting numerical information into the text.
 - (3) Include designs—such as short flow-charts—in the middle of the text.
 - (4) Provide spaces between captions and paragraphs.
 - (5) Use double-space or one-and-a-half-space typing, limiting single-space typing to subsidiary text.
5. Convey expressions in positive—rather than negative—terms.

Reporting to Clients on M. S. Engagements

6. Underscore words occasionally for particular emphasis. (But this should not be overdone, or the effect of this emphasis will tend to disappear.)
7. Use "joining words" occasionally to preserve a continuity of style. For example:
Therefore
Nevertheless
However.
8. If there is a risk of cluttering up the text with too much explanatory matter, consider putting it in an appendix.
9. Avoid capital letters in the text wherever possible. Caption titles, as a rule, should be in lower casing.
10. Keep adjectival phrases to a minimum; they tend to weaken a sentence.
11. Use short words in preference to long ones. The reader is more likely to understand them, and the writer is open to less risk of using a wrong word.
12. If the use of technical words cannot be avoided, explain these terms if there is any doubt of the reader's ability to understand them.
13. Spell correctly. (The typist cannot be expected to catch every spelling error.)
14. Be sure that grammatical errors are avoided.
15. Try to write naturally—as one would speak. (Many people adopt an entirely different style once they start to write. In so doing, they tend to become less effective because they depart from the language normally used to make themselves understood.)
16. Use dashes—or parenthetical phrases—as occasional methods of relieving a sameness of style.
17. Occasionally start a sentence with a conjunction. (This may conflict with what one was taught at school. But there are many good examples in the Bible.)
18. Always read over the draft to make sure that it is clear and understandable—and means only what it is intended to mean.
19. Finally, when the report is finished, read it critically. Make sure that it represents *completed staff work*.

DON'T's

1. Don't resort to sarcasm or invective. The report should be written to *help* the client, not to criticize him.
2. Don't use slang or colloquialisms.
3. Don't use jargon unless it is regularly used in the client's business and will be properly understood.
4. Don't use exclamation marks.
5. Don't use foreign words. English equivalents are easy to find, such as:
miles *an* hour—not miles *per* hour
that is—not i.e.
for example—not e.g.
daily—not *per diem*.

LYBRAND JOURNAL

6. Don't try to impress the client with your learning. Get your ideas across in simple, everyday language.
7. Don't use the same word excessively. (Refer to a dictionary or to Roget, and select suitable alternatives.)
8. Don't use long phrases if short ones are equally effective. For example:
Not "in the event that . . ." but "if . . ."
Not "as a result of this . . ." but "therefore."
9. Don't use periods or colons at the end of captioned headings. They are meaningless.
10. Don't use the word "etcetera" unless it is absolutely necessary. It is often a hiding place for undigested thought.
11. Don't use legal phraseology. It is generally too cumbersome.
12. Don't use technical accounting language unless the report essentially deals with technical accounting matters.

V. *Typing*

As a matter of courtesy and good working habits, always remember the typist. Report copy should be so prepared that the typist:

- can read every word that has been written;
- does not have to make constant reference to the dictionary to correct spelling mistakes;
- understands completely the exact manner in which the text should be indented;
- does not have to correct arithmetical mistakes.

There are two principal methods of numbering the pages of a report:

1. They may be numbered consecutively throughout the report, or
2. The pages of each chapter may be numbered separately.

The second method offers these advantages:

- It makes it easier to spread the work over more than one typist.
- It permits individual chapters to be typewritten for client discussion without the need for renumbering a large quantity of pages if a few alterations are made.

VI. *Conclusion*

The report is sometimes the only tangible evidence of work well done. The client should be able to use it as a textbook or reference guide for future action. Individuals who may have little contact with the Firm in other respects may judge its competence and effectiveness entirely by its written reports.

Reporting to Clients on M. S. Engagements

A well-produced report should enhance future opportunities for service to the client—perhaps also with its attorneys, bankers, directors, business associates and others. A substandard report can produce correspondingly adverse results.

Every management services staff member should cultivate the ability to write a sound report. If he fails, excessive time and effort must be devoted to rewriting and correcting it. The guidelines furnished above will, it is hoped, assist the staff member in producing a well-reasoned and readable report which will do credit to his field work.



**Participants and Instructors of the OR Course
at Drew University**

Row 3 (Top Row)

RAYMOND L. WOODALL (Philadelphia), JULIUS L. ROSS (New York), JOSEPH P. O'ROURKE (New York), WILLIAM H. LUNDQUIST (Philadelphia), ALFRED L. HUNT (San Francisco).

Row 2

JOHN J. O'DONNELL (Detroit), FRED W. REFLOGLE (New York), MICHAEL SHEGDA (New York), ROBERT L. BURTON (New York), JOSEPH M. CONDER (Dallas).

Row 1 (Bottom Row)

MAURICE B. T. DAVIES (Los Angeles), RICHARD H. COBB (New York), LINDA KOPELL (New York), HERMAN C. HEISER (New York), SEYMOUR M. KWEREL (New York).

The Operations Research Course

By Joseph M. Conder

In 1960 an Operations Research Course was added to the Firm's growing educational program. The course was given at Drew University, June 13-24, and was under the general supervision of our Operations Research Director, Dr. Tibor Fabian. Instructors other than Dr. Fabian were members of his staff, Arthur Yaspan, Richard Cobb and Seymour Kwerel. Outside lecturers were Dr. John Little of Case Institute, Dr. John Lubin of the Wharton School of Finance and Commerce of the University of Pennsylvania and Dr. Lawrence Friedman, Director of Operations Research for M & M's Candies. Approximately fifteen students attended the course but, regrettably, several of them were not able to attend all the sessions because of work pressures. All of the students other than the writer were management services specialists.

The course was extremely well designed and executed. Its technical aspects were simplified only to the degree required to put their presentation within the grasp of the students. The purpose of the course was not to make operations research practitioners of the students but, rather, to give them an appreciation of and feel for the techniques employed in this field and a

The Operations Research Course

competence to recognize client problems which might be solved by operations research.

An outline of the subject matter of the course, with explanatory comments, follows:

<i>Subject Matter</i>	<i>Day</i>
<i>Introduction and math refresher</i> —We were introduced or reintroduced to many mathematical notations and concepts of algebra and calculus. We also worked some probability exercises	1
<i>Sampling</i> —We learned many terms and techniques used in scientific statistical sampling and discussed engagements in this area which had been successfully completed for clients	2
<i>Linear programming</i> —This popular technique was presented by way of examples where we translated activities and variables into mathematical forms which were manipulated until we reached the optimum plan of action among a number of alternatives	3
<i>Job shop scheduling and assembly line balancing</i> —OR techniques were applied to these typical production control problems	4
<i>Inventory management</i> —Mathematical techniques for determining how much inventory to order, and when, were explained. A central idea of the approach is to balance the cost of being short with the cost of being overstocked. If, for example, a lost sale resulting from a shortage of one unit costs ten times as much as the cost of carrying an excess of one unit, the order quantity is calculated to give us the probability of being short once in ten decisions.	5
<i>Case studies in inventory management</i> —Engagements completed by our OR staff in this field were described	6
<i>Waiting line and routing problems</i> —This session on "queuing theory" was one of the most interesting. It dealt with problems such as how to best provide for aircraft landings, toll booths, warehouse facilities, and dock loading facilities. Factors which must be mathematized are the pattern of arrivals, length of service, and the queue discipline (FIFO, LIFO or other priority system).	7
<i>OR in marketing</i> —Here we received the mathematician's approach to solving the age-old question of appraising the benefits from advertising and other promotional dollars. It was shown that the problem of deciding how much merchandising money to spend, when and how, could be attacked by the use of calculus or marginal analysis	8
<i>Theory of games</i> —Business situations which could be likened to a game of chess were studied. An interesting example was the initial announcement of prices for the Boeing 707 and Douglas DC 8 pure jet commercial aircraft	9
<i>Conclusion</i> —The last day of the course was devoted to planning future OR education in the Firm, and, most logically, to exploring the possibilities for OR engagements among our clientele	10

For diversion on several evenings, we had organized games—strenuous only to the tired brains since they were simulations of production, job shop and inventory management.

The Management Controls Course

By J. William Biggs (New York Office)

The annual Management Controls Course was held during the period of June 13-24 at Drew University. With the guidance of the talented and energetic Professors Neil Harlan and Earl Bennett of the Harvard Graduate School of Business, the 28 students from 10 offices attempted to develop a management control point of view in comparison with the accounting principles and auditing standards and procedures with which they are familiar. The cases selected ran a wide gamut of ideas including the learning curve as applied to government contracts, capital expenditure and leasing decisions through the use of net cash



The Management Controls Course at Drew University

Row 4 (Top Row)

W. STURGIS CORBETT (Detroit), JOSEPH V. O'DONNELL (Philadelphia), MELVIN A. DYSON (Boston), ROBERT A. KEENAN (New York), JOSEPH S. RORRO (New York), NORRIS E. KRALL (St. Louis), EUGENE M. FREEDMAN (Boston), JAMES F. GOSS (Philadelphia).

Row 3

STANLEY N. ROSEBERRY (Hartford), BEN F. DURHAM, JR. (Dallas), JOHN F. ALDRICH (Boston), ALVIN H. CARLEY (Boston), RONALD W. WOODS (Detroit), J. WILLIAM BIGGS (New York), MONA HERSH (New York), ROBERT L. BRODY (New York).

Row 2

CHARLES F. JACEY (New York), ROBERT T. KOESTER (Dallas), LAWRENCE B. SULLIVAN (Chicago), LLOYD A. SCHWARTZ (Detroit), STEFAN M. POTH (Detroit), GEORGE LOWERY (Cleveland), DON C. MACAULAY (Baltimore), CARL W. ZIPP, JR. (Philadelphia).

Row 1 (Bottom Row)

EARL D. BENNETT (Instructor), DAVID MANDELL (Detroit), LORNE OLSEN (Detroit), ROBERT E. MALCOM (New York), ALLAN WEAR (Detroit), EUGENE J. SIGILLITO (St. Louis), JOSEPH L. DEIDERHEIMER (Cincinnati), NEIL E. HARLAN (Instructor).



Classroom Scene of the Management Controls Course at Drew University

flow and present value analysis, useful applications, advantages and disadvantages of direct and absorption standard costing, probability applied to business problems, the possible use of a management services questionnaire, pricing intercompany product transactions on a current market value basis, flexible budgets and reports needed by management, the development of standard costs and client problems that develop as a result of management services being performed by C.P.A. firms.

Generally the case method, as used in this course, developed around discussions of assigned problems. In addition small groups analyzed other cases with a spokesman presenting in each case the conclusions of the group to the class. Cases based on the students' own experiences were also submitted for class participation and prizes awarded for the outstanding papers. The combination of all these methods plus two three-hour examinations succeeded in orienting the participants in the management services area, both from the viewpoint of a career in this specialty and from the standpoint of the auditor who observes, analyzes and reports on client problems.

The two-week stay was not restricted to the heavy load of work as noted above but also included the complete use of Drew's fine facilities of a gymnasium, swimming pool, tennis courts, shuffleboard, ping-pong tables and weekend trips to New York City.

Firm Conference for Tax Specialists

By Norman E. Auerbach

The Firm Tax Conference will be held October 3-5, 1960 in the New York Office with approximately 90 tax specialists from all the domestic offices expected. The subjects to be discussed in the comprehensive presentation are as follows:

FIRM TAX REORGANIZATION
(Mr. Bardes, *Chairman*)

FINANCIAL PLANNING AND THE TAX MAN
(Mr. McCullough)

REPORT FROM OUR WASHINGTON OFFICE
(Mr. Barnes, *Chairman*)

Seminars are planned on various tax specialties. The subjects, and the chairmen of the panels, are as follows:

Chairman

1. *Estate Planning*—Special features of plans prepared by us considered to be of broad interest. Specific problems of broad interest (not involving preparation of complete estate plan) encountered in our practice or suggested by court decisions, rulings, etc. MR. STUETZER
2. *Compensation Plans*—Deferred compensation arrangements, restricted and unrestricted stock options and stock purchase plans, pension and profit sharing plans. New developments MR. GRAICHEN
3. *Natural Resources*—Depletion, exploration and other industry problems, etc. New developments MR. REYBURN
4. *State and Local Taxes*—Recent developments including application of sales and use taxes, allocation formula, separate accounting and combined reports, etc. . . MR. TANSILL
5. *Real Estate*—Tax saving opportunities in real estate acquisition, operation, sale, etc., and a review of recent developments MR. WINTRUB
6. *Foreign Taxes*—Planning for minimum combined U. S. and foreign taxes. Foreign tax haven companies. Operation of the Firm's Foreign Tax Division. Legislative round-up MR. MAHON
7. *Closely Held Business*—Tax problems of a closely held business. Pre-incorporation planning. Post-incorporation planning. Recent developments MR. GELBERT

Firm Conference for Tax Specialists

Chairman

8. *Tax Surveys*—Use of tax staff for review of operation of client's tax department and tax surveys in connection with acquisition of a company MR. BARDES
9. *Corporate Reorganizations*—Liquidations, dividends, etc. New developments MR. MIRANDY
10. *Expense Accounts*—Disallowance of expense reimbursements to, and unreimbursed expenses claimed by, executives or owners of closely-held businesses. New requirements for 1960 returns MR. RICHARDSON
11. *Security Transactions*—Tax aspects of security transactions with particular emphasis on tax saving "gimmicks" MR. WELSCH
12. *Life Insurance Companies*—Analysis of new tax law and proposed legislation. New developments . . . MR. FARRAND
13. *Accounting Methods*—Recent developments affecting LIFO inventory, change of methods, property taxes, installment sales, etc. MR. AUERBACH
14. *Income Taxation of Estates and Trusts*—New developments, tax-saving opportunities, etc. MR. GALLAGHER
15. *Depreciation and Leasing Arrangements*—including analysis of recent Supreme Court decisions. Sales-leaseback arrangements, etc. MR. BARNES
16. *Return Administration*—Return preparation processing and reproduction, and review. Comparison of form letters, tax questionnaires, etc. MR. COLLERAN

In addition to the above items, there will be discussions of specialized tax problems of broad interest.

The Senior-Supervisor Staff Conferences

By Bradley H. Green (New York Office)

On the second of June, 1960 the last of a series of conferences for audit supervisors and seniors was completed in New York. These conferences, of which there were seven in all, were held in Chicago, Detroit, Los Angeles and New York between May 1959 and June 1960. Managers from many L.R.B. & M. offices conducted group discussions for more than 300 supervisors and seniors. Each group approximated 20 persons.

The principal theme of these conferences was "How to conduct an efficient audit using current techniques." Participants were asked, after considering the internal accounting controls and checks in force, to comment upon the extent of procedural testing and other audit techniques which they apply in the course of their examination of accounts on certain of their present engagements. With these data as discussion material, all participants suggested changes that might be initiated in each audit program and still permit the expression of an informed opinion on the financial statements under review.

In addition, attention was also directed to the effective planning and administration of an audit with emphasis on (1) proper staffing of an engagement, (2) good budgeting of hours by account classification, (3) complete letters of instruction, (4) preparation of the B-1, (5) preparation of appropriate but not excessive working papers, (6) writing of reports and statements and (7) proper summarization of an audit through the accumulation of summary findings, binding and filing of required working papers, classification of time, drafting of letters on internal control and other matters, and suggestions for changes in audit programs.

Discussion leaders at the May and June 1960 meetings were L. P. Deering (Baltimore), Melvin A. Dyson (Boston), Joseph M. Conder (Dallas), Norman A. Erickson, Marshall M. Johnson, Victor L. Liotta and G. Robert Sullivan (Los Angeles), Thomas J. Cogan, Robert W. Egner, Bradley H. Green and Robert H. Kaiser (New York) and William B. Keast (Boston).

Labor-Management Act of 1959

By Fred E. Rhodes

On September 14, 1959 when President Eisenhower affixed his signature to the Labor-Management Reporting and Disclosure Act of 1959, a new chapter was written in the annals of financial reporting by labor unions in the United States. While the language of the law appears to be clear, an interpretation of the specific intent of the words in the Act may be troublesome to both the legal and accounting professions.

The purpose of the Act, generally, is the protection of employees' rights, as a matter of public interest and, in furtherance of this purpose, it has prohibited practices viewed as inimical and has imposed new duties and responsibilities upon officers and employees of labor unions. Also, in furtherance of the objectives of the Act, certain reporting requirements have been prescribed. It is with these reporting requirements that accountants are primarily concerned.

Initial report

Title II of the Act specifies that every labor organization shall file with the Secretary of Labor, within 90 days after becoming subject to the Act, a report setting forth its name, address, the name and title of its officers, and other pertinent information including, among other things, what provisions have been made and what procedures are being followed with respect to ". . . (D) authorization for disbursement of funds of the labor organization, (E) audit of financial transactions of the labor organization" It also provides that, after the initial filing has been made, any changes in this portion of the report shall be filed with the Secretary of Labor in conjunction with the annual report for each succeeding year.

Annual report

Title II also provides that:

"Every labor organization shall file annually with the Secretary a financial report signed by its president and treasurer or corresponding principal officers containing the following information in such detail as may be necessary accurately to disclose its financial condition and operations for its preceding fiscal year—

- (1) assets and liabilities at the beginning and end of the fiscal year;

LYBRAND JOURNAL

- (2) receipts of any kind and the sources thereof;
- (3) salary, allowances, and other direct or indirect disbursements (including reimbursed expenses) to each officer and also to each employee who, during such fiscal year, received more than \$10,000 in the aggregate from such labor organization and any other labor organization affiliated with it or with which it is affiliated, or which is affiliated with the same national or international labor organization;
- (4) direct or indirect loans made to any officer, employee, or member, which aggregated more than \$250 during the fiscal year, together with a statement of the purpose, security, if any, and arrangements for repayment;
- (5) direct and indirect loans to any business enterprise together with a statement of the purpose, security, if any, and arrangements for repayment; and
- (6) other disbursements made by it including the purposes thereof; all in such categories as the Secretary may prescribe."

It is in this area that the independent accountant may be called upon to help accumulate the statistics and interpret the meaning of the items included therein, although the Act does not require that such report be accompanied by an accountant's opinion. This annual report must be filed with the Secretary of Labor within 90 days after the close of the fiscal year of the labor union.

Retention of records

The Act contains a paragraph entitled "Retention of Records" which appears to include much more than the title would indicate. It reads as follows:

"Every person required to file any report under this title shall maintain records on the matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed with the Secretary may be verified, explained or clarified, and checked for accuracy and completeness, and shall include vouchers, worksheets, receipts, and applicable resolutions, and shall keep such records available for examination for a period of not less than five years after the filing of the documents based on the information which they contain."

This provision calls for consideration of the possible need for reviewing an organization's accounting system with a view towards such revisions as may be called for in order to facilitate compliance with the reporting requirements of the Act.

The requirement for retention of records for five years also brings up the question of the extent to which it embraces supporting records. For example:

- (1) Must the vouchers, work papers, receipts, etc., be originals?
- (2) Is it intended that receipts issued for each payment of dues by a member be retained for five years?

Labor-Management Act of 1959

- (3) Where individual dues payments are recorded in passbooks by mechanical means, such as cash registers, must a copy of the tape be retained?
- (4) Are the individual vouchers, worksheets, and receipts to be maintained by years?

Other requirements

A nonfinancial provision of the Act requires that all ballots for the election of officers must be retained for one year. This will be of interest to those independent public accountants who may be engaged to tabulate the results of such elections.

There are many additional provisions of the Act which touch upon financial matters. The independent public accountant conducting an audit should be familiar with the Act, not only to enable him to render optimum service, but also to make sufficient tests to satisfy himself that there is adherence to those provisions of the Act which may have a bearing on financial statements. As an example, the Act requires that every officer and every employee of a labor organization who handles funds or other property shall be individually bonded for the faithful discharge of his duties to the extent of not less than 10% of the funds handled by him in the prior fiscal year (but in no case for more than \$500,000). Bond coverage may not be on a blanket basis, but must be individually written in the name of the employee or officer.

Also, the union may not make loans to an officer or an employee, which in the aggregate exceed \$2,000. It is presumed that the dollar limitation means at any given date.

Similarity to previous Acts

Those who have had experience with the National Labor Relations Act and its amendments are aware of the fact that the financial reporting requirements of that Act are substantial. The financial report in this instance has been required to be submitted on a prescribed form, the one concession being that, in lieu thereof, financial statements accompanied by a report and opinion of a certified or licensed independent public accountant may be submitted, provided that all of the information and detail specified in the form is included. In some instances, the degree of detail so required goes beyond that usually furnished even in the case of the so-called "long-form" report. For example, allowances for travel and entertaining must be shown separately from other allowances and they must be detailed in a supporting schedule. There are other instances where detailed expense classifications

LYBRAND JOURNAL

and detailed supporting schedules have been required. Under these circumstances, it is quite likely that the ordinary scope of examination leading to an expression of opinion on the fair presentation of over-all financial position and results of operations would not need to embrace the comprehensive examination of such details. The author believes that this may be a situation where the recommendations as to reporting contained in Paragraph 7 of Statement on Auditing Procedure No. 27 are appropriate. These reporting recommendations are:

- (a) That the auditor's examination has been made primarily for the purpose of formulating his opinion on the current year's basic financial statements, taken as a whole,
- (b) That the other data included in the report, although not considered necessary for a fair presentation of the financial position and results of operations, are presented primarily for supplementary analysis purposes, and either (1) that they have been subjected to the audit procedures applied in the examination of the basic financial statements and are, in his opinion, fairly stated in all material respects in relation to the basic financial statements, taken as a whole, or (2) that they have not been subjected to the audit procedures applied in the examination of the basic financial statements, stating the source of information and the extent of his examination and responsibility assumed, if any.

The accountant's responsibility

The reporting requirements of the Act have a similar objective to those in the Securities Act of 1933, namely disclosure for purpose of serving the public interest. While in the case of the latter statute, financial statements are required to be supported by the opinion of an independent accountant, it seems to the author that the motivation which led to this requirement indicates the desirability of having financial statements submitted under the new Act also so supported, and that consequently the independent public accountant can be of considerable service in its administration. In addition, the professional advice and recommendations given to labor union officers and employees by the accountant arising from his broad experience in financial and business matters should be of distinct benefit.

Finally, under a provision of the Act, the Secretary of Labor must make a report to Congress at the end of three years as to the administration of the Act. It could well be that during that period of time, independent public accountants will be able to expand their sphere of influence in this area and thereby render a service by developing improved reporting and record-keeping techniques wherever the need exists in labor union organizations.

The Production Management Course

The Production Management Course

By Robert L. Burton (M.S.R. & C.D.)

The Management Services Research and Consulting Division conducted an intensive two-week course in Production Management in May and a one week course in September for selected Management Services Specialists. The courses were held in New York. Dr. Michael Shegda directed the courses and was assisted by Messrs. Maurice Allen and Fred Herr.

The interrelationship of all aspects of production management was stressed. Among the subjects covered were:

- | | |
|---------------------------------|------------------------------|
| 1. Production planning | 9. Production cost systems |
| 2. Production forecasting | 10. Work measurement |
| 3. End-product scheduling | 11. Data collection systems |
| 4. Requirements scheduling | 12. Recording and reporting: |
| 5. Dispatching | a. Manual methods |
| 6. Inventory control | b. Punched cards |
| 7. Numbering and coding systems | c. E.D.P. |
| 8. Purchasing | |

Mr. Herman Heiser, Chairman of the Management Services Committee, spoke on production cost system, Mr. James Holmes spoke on data collection systems, Mr. William Holland presented the case history of a production management engagement and the writer covered the subject of work measurement.



The Spring Production Management Course—New York Office

Developing an Accounting Manual*

By C. F. Grove (San Francisco Office)

The numerous and diverse external pressures exerted upon the businessman of today requires that he keep a wide assortment of detailed records. Some of these records provide information required by various types of legislation or legal contracts, as for example:

- Federal and state tax legislation
- Anti-trust legislation
- S.E.C. regulations
- Government contracts
- Union agreements
- Franchise agreements, etc.

Others are maintained in order to obtain in great detail a variety of analytical information on income and expenditures. This increasing demand for business information is largely due to the great number of government regulations, increased labor benefits, and to the keen competition, all of which have increased considerably during recent years.

In order to produce all of the information dictated by these requirements, accounting procedures and bookkeeping routines are often so intricate that it is unusual for any one person to know them in detail. Without written instructions, a comprehensive understanding of a procedure can be obtained only by putting together the accumulated knowledge of all of those persons who perform the various procedural steps in the handling of a document.

As a business grows in size, not only are more information demands made upon it, but also the processing of a transaction is more apt to be divided between various specialized groups. Therefore, accounting procedures usually become more complex as a business grows in size.

For these reasons the larger and better operated organizations usually find it desirable to formalize their accounting and related clerical practices by putting them in writing in the form of an accounting manual.

*This paper is an outgrowth of a talk made at the M.S. conference of the Western Region in Los Angeles, May 6, 1960.

Developing an Accounting Manual

A typical accounting manual provides written instructions and explanations concerning policies, organization, methods, procedures, routines, and other matters which facilitate the operation of an accounting system. It also includes charts indicating organization and functions, systems and procedures, and accounts to be used. When properly developed, it becomes an effective tool in the hands of people at all levels in maintaining and supervising the accounting system. It is an especially useful tool to use in documenting the details of a newly developed accounting system.

The Functions of an Accounting Manual

The objective of an accounting manual is to facilitate the processing and recording of accounting data and the preparation of reports containing information taken from the accounting records. The accounting manual achieves this objective through the performance of a number of functions which relate not only to the accounting methods and procedures to be used but also to the environment in which these tasks are performed.

The principal functions of an accounting manual are these:

1. To formalize the accounting system and the accounting procedures involved. This aids in the supervision of the accounting department and saves executive time.
2. To assign responsibilities. This helps to define and clarify authority within the accounting department.
3. To serve as a guide to those responsible for maintaining accounting records and thus assist in standardizing routines and instructions issued to accounting personnel and aid in identifying exceptions.
4. To provide instructions and reference material for all employees affected. This is an aid in maintaining accounting records and information on a consistent basis and in minimizing misunderstandings of instructions.
5. To serve as an aid in training new personnel. This facilitates the use of substitute personnel and helps to increase the flexibility of the accounting staff.
6. To serve as an aid in job evaluation and work load analysis. This provides an objective standard to use in maintaining equitable pay rates in the accounting department.
7. To provide a record of the administrative evolution within the accounting department. A complete file of current and obsolete procedures can often be an extremely valuable historical record.

If the accounting manual is designed in such a way that it will do these things, it will not only provide for the continued and efficient performance of accounting work, but will also reduce materially the amount of supervision needed to direct this work.

LYBRAND JOURNAL

The Scope of the Manual

The scope of a manual will vary according to the breadth of its objectives. Limited objectives will limit the scope of the manual to little more than a recitation of methods and procedures; whereas, more ambitious objectives will require a scope extending into other areas allied to these procedures and routines.

Objectives sufficiently broad to encompass the functions mentioned in the previous section will prescribe a manual with a scope extending to the following subjects:

- Policies
- Organization
- Methods
- Procedures
- Routines
- Charts of accounts

This more extensive scope will usually be found to be well worth the extra work involved.

Different sections of the manual may be developed to cover the duties of different groups of employees such as operators, supervisors, and top management. In this way each group will have its own particular section, and higher authorities will have several sections organized together according to their needs.

The extent to which the instructions of an accounting manual should be detailed varies according to the level in the organization of the group of employees for whom the instructions are to be written. The most detailed instructions would normally be found in the section applicable to clerical functions; whereas, summarized procedures will suffice for supervisory levels.

These instructions should contain a complete listing of the clerical tasks to be performed but they should not give a detailed explanation of the accounting techniques involved. Supervisors and clerical employees, because of their training and experience, are presumed to be competent in these areas to the extent necessary to complete their assigned work.

How to Organize the Manual

The organization of the manual should be presented in summarized form in the table of contents. Since this table may be used as a guide for organizing the working papers in connection with the development of a manual and also serve as a work program, it should be prepared as soon as the scope of the manual has been determined.

Developing an Accounting Manual

Individual main sections should be organized and subdivided according to principal subject matter discussed, or according to position or functional grouping. The main section for clerical functions and procedures might, for example, be subdivided as follows:

- General Ledger
- Cost Ledger
- Accounts Payable
- Accounts Receivable
- Payroll

Each of the above subdivisions should be further subdivided to meet the needs of specific processing units performing such operations as matching receiving reports with purchase orders or approving invoices.

It is important that the table of contents corresponds exactly with the wording of the section title or the procedure title; also, if sections of the manual are to be separated by tabbed dividers, that the obvious key words from the table of contents appear on the tabs. The table of contents should be in the same sequence as the arrangement of the actual sections in the manual.

On the basis of the table of contents a page numbering system should be developed which will permit adding or deleting pages without disrupting the numbering of other pages. A decimal numbering system is an example of a type which will permit this.

At this point the format of the manual and the method of its reproduction should be approved by the controller or other person responsible for the project. This is advisable because these matters will largely determine the manner in which organization charts and system flow charts can be most effectively presented.

As a general rule, most people prefer to use an accounting manual which consists of 8½ inch by 11 inch pages in a looseleaf binder. Some prefer to have printing on both sides, while others like to have printing appear on one side only. When it comes to the reproduction of any kind of a chart which is wider than a regular page, however, it is usually preferable to reproduce such a chart on two opposite pages rather than using a fold-out sheet.

Getting the Information for the Manual

The next phase in developing an accounting manual should be to get the information which is to go into it. A prime source of this information is the accounting staff. The knowledge of this staff is tapped through the process of interviewing.

LYBRAND JOURNAL

These interviews should begin at the top level—executives first and then their subordinates. The interviewer can save considerable time if those to be interviewed are directed to prepare, prior to the interview, a list of their duties and responsibilities and to gather together copies of all forms used. Stress should be laid upon the importance of this information to the development of an accounting manual which is accurate and complete.

Several short interviews are preferable to reviewing a person's entire work schedule during a single interview. In this way the time between interviews can be used to analyze the information obtained while the details are still clearly in mind. Furthermore, several short interviews will usually cause the least amount of interference with the regular work of the person interviewed. It is often helpful to take brief notes while interviewing, and to draw a rough process flow chart for each form discussed.

The fact finding phase of the project offers an excellent opportunity for making a quick evaluation of the efficiency of the accounting system and procedures. Procedures which appear to be duplicated elsewhere in the organization should be reviewed with the proper accounting executive. Corrective action, if required, should be taken immediately so that these duplicated procedures will not be included in the manual.

The process of developing the manual will often reveal weaknesses in organization, inefficient procedures, duplications of clerical efforts, and other adverse conditions. This discovery, in itself, often leads to economies or improvements of sufficient value to offset the cost of developing an accounting manual.

Writing the Manual

The manner and style of the manual may vary greatly from one company or unit to another. However, an accounting manual should, as a general rule, include the following subject matter:

1. *Letter of Introduction:* Immediately following the title page it is customary to have an introductory letter addressed to all employees from the top executive officer of the organization. This letter provides official approval and authority to use the accounting manual, and recommends it as a practical means of achieving the highest standards of accounting practice and financial control.

2. *Introductory Chapter:* The purpose of this chapter is to familiarize the user with the major policies of the organization and the scope of the manual. This should normally include the following:

- (a) A general outline of the company's plan of organization. This outline should be supported by an organization and functions chart.

Developing an Accounting Manual

- (b) A description of the form and content of the manual. This should outline the organization of the accounting manual and indicate the scope of procedural steps and instructions.

The introductory chapter may be prepared either in conjunction with the preliminary work involving the organization of the manual or upon completion of the written procedures. The writer prefers to write the introductory chapter after the main part of the manual has been completed. He is then able to point up specific features of the manual which were designed to deal with conditions which were not known at the beginning of the assignment.

3. *Flow Charts:* Complicated procedures can be described most effectively by using flow charts, which require much less space than written explanations. Therefore, it is recommended that flow charts be used to illustrate clerical as well as machine procedures whenever practicable. Frequently they are used to augment written procedures. These flow charts should be inserted in the subsections of the manual along with any written procedures pertaining to the same functions.

Where accounting procedures are performed on punched card or electronic data processing equipment, machine data processing flow charts should be prepared to illustrate these machine functions in greater detail.

A brief explanation of each procedural step should be provided on a page opposite the flow chart. But minor details of a purely technical nature should be omitted.

When all interviews with one person have been completed, the process flow charts covering his duties should be finalized and then evaluated. Similarly, when all information relative to a principal function or system has been collected, a systems flow chart should be prepared to show the sources of accounting transactions, documents and records; the flow of work from one unit or section to the other; and the resulting reports, records, or transactions completed.

4. *Written Procedures:* The style of the written procedures pertaining to clerical functions varies greatly according to the preference of individual writers. However, the style most commonly used seems to be that of the cookbook: Beat eggs—add ham, mushrooms and soy sauce—heat butter in skillet—and so on. Since it is action that is required of the person for whom the instruction is written, the writer should choose those words and that style which are as close to action as language can get.

When preparing the written procedures, it will be helpful to keep the following few specific rules in mind:

- (a) Describe only *one* action or *one* order in *one* sentence.
- (b) Start sentences with an imperative verb naming the controlling action. (Cookbook style.)
- (c) Give only positive orders, avoid "Do not . . ." The appearance of "Do not . . ." usually indicates one of two conditions:
 - (1) Weak vocabulary; why say "Do not accept . . ." when you can say "Reject . . ." or "Delay . . ."?
 - (2) Weak analysis of the task; perhaps not giving an order but instead indicating a precaution or noting an exception.

LYBRAND JOURNAL

- (d) Always name an operator by job title, not by name, when the instruction requires his designation.
- (e) Write as little as possible.

The following subjects are usually included in the manual in the form of a supplement or an appendix:

1. *Chart of Accounts*: The chart of accounts should be carefully organized to make it an easy and convenient reference. It should show the following information:

- Account code number
- Account classification
- Account title
- Brief description of how each account functions.

2. *Forms Register*: The purpose of the forms register is to control the use of accounting forms and their design. The responsibility of maintaining the forms register should be assigned to someone at a relatively high level in the accounting organization. He should be responsible for the designing of new forms and the redesigning of old forms, and no purchase of a new supply of forms should be made without his approval.

The forms register should show:

- Form code number
- Name of form
- Source of supply
- Who uses the form
- Who prepares the form

Forms registers usually contain either a photographic reproduction or a sample of the form for positive identification and reference purposes.

3. *Document Retention Schedule*: It is now becoming a general practice to develop a schedule of time limits for retaining original records and documents. In the accounting manual such a schedule is usually limited to those forms used by the accounting department.

4. *Provisions for Making Changes*: In order that the accounting manual may be kept current, a special supplement should be added which outlines the specific rules and procedures to be followed in making changes in the manual. The following paragraphs outline the fundamentals of a suggested procedure for this purpose:

- The responsibility for keeping the manual up to date should be delegated to a competent person at a fairly high level. All changes should be processed by means of an authorization form designed for this purpose and approval obtained in the manner described in the following paragraphs.
- Any member of the organization should have a right to originate an authorization of change form and submit it for approval. An employee in the accounting department, for example, may suggest an improvement in a procedure or instruction. After completing the form and writing the suggested revision or addition, he may submit it through

Developing an Accounting Manual

his immediate supervisor to the staff member in charge of processing changes in the manual. Staff members of other departments should transmit their suggestions through their departmental managers.

- After approval by the person responsible for processing changes and the controller or other designated executive officer, copies of the authorization of change, with attached revision or addition sheets, are then distributed to all holders of the accounting manual for insertion in their copies.

Reviewing and Editing the Manual

It is important that preliminary as well as final drafts of all written procedures including procedural flow charts be carefully reviewed by the clerical staff and the supervisory personnel of the accounting department. This review should insure that the accounting manual is correct in every detail. It often happens that errors, usually minor but occasionally major, will come to light during these reviews.

All sections of the manual pertaining to policy matters and organization charts should be reviewed with the top executives of the organization.

Changes Requiring Further Study

Where an accounting manual has been developed to formalize the procedures of an accounting system which has not been subjected to any major procedural changes within the last few years, opportunities for improvements are very likely to be noted. These may be classified into two general categories. The first includes improvements which may be adopted and implemented during the course of the engagement. The second category refers to possible improvements which require further study and development before they are ready for implementation.

Those changes which can be made after only a minor amount of study will usually be made as a part of the project of developing the manual. Those which cannot be handled in this manner should be assigned to some specific person to carry out the study needed. The improved method should be installed by following the procedure described in the section entitled "Provisions for Making Changes."

The Tax Training Program for Audit Personnel

By Sidney Kess (New York Office)

During the past year approximately 500 staff members took part in various tax courses given by individual offices. The following courses were conducted:

<i>Name of Course</i>	<i>Number of Offices Conducting the Course</i>
Tax Review Course	10
Tax Problems Course	9
Estate Planning Course	2
Tax Research	2
Estate and Gift Taxes	1
C.P.A. Review	2
Miscellaneous Taxes	1
Massachusetts Corporate Tax	1

Approximately 100 staff men participated in the Tax Principles and Return Preparation Course given as part of the advanced training program at Drew University in June. Instructors for this course were Messrs. Jessee (San Francisco), Kess (New York), Lappin (Boston), and Mutzel (Philadelphia).

In addition to the formal courses, all offices held numerous staff meetings throughout the year in order to keep their personnel informed of current developments in the field of taxation.



Course in "Audit and Control Problems in the Use of EDP"—New York Office

Auditing EDP Systems

By Fred Boas, Jr. (M.S.R. & C.D.)

The Firm's policy of continuing education was further implemented by two training sessions (July 25-29 and August 29-September 2) held in the New York Office for audit managers and supervisors. There were approximately thirty participants in each group from 16 offices. The purpose of each session was to discuss the techniques of applying generally accepted auditing practices and procedures to those situations where the *financial reporting* of a company is dominated by the use of an electronic computer.

The following discussion outline, together with the supporting material, was developed by the staff of the Management Services Research & Consulting Division.

1. *Hardware Orientation.* This session was designed to familiarize the group with recent developments and techniques in EDP systems.

2. *Case History I.* This case involved the use of random access equipment installed to implement advanced inventory control techniques and to maintain perpetual records for the inventory items.

3. *Case History II.* This case involved the use of a large tape computer in the maintenance of voluminous accounts receivable files. It highlighted the auditor's problems where exception reporting techniques and limited visual trails were present.

4. *Case History III.* This case involved revenue accounting procedures, using a large-scale computer; in contrast to Case II, it highlighted the problems confronting an auditor when voluminous amounts of printed material are available as audit trails.

The cases were simulated audit engagements. Cases II and III presented the possibility of using the computer as an audit tool.

The Investment Company Course

By E. J. DuBois (New York Office)

A two-day course in the accounting and auditing problems relating to investment companies was held during September in the New York Office. The areas covered included methods of distributing securities, S.E.C. regulations, statement presentation, taxation of regulated and nonregulated investment companies and personal holding companies, internal control and accounting and auditing procedures.

The Insurance Company Audit Course

By N. E. Cusworth (New York Office)

The 1960 training program devoted to accounting practices and procedures and audit techniques peculiar to insurance companies was conducted in the staff training rooms of the New York office from September 12 to September 23, 1960.

The course was of two weeks' duration with the time approximately equally divided between the prescribed accounting principles and reporting requirements for life insurance companies and those prescribed for fire and casualty insurance companies.

The course was organized by Mr. J. H. McMichael, a member of the faculty of the Wharton School of Finance and Commerce of the University of Pennsylvania, and Norman E. Cusworth, insurance specialist from the New York Office, under the direction of Mr. Julian R. Maher. They were assisted in the presentation of the course by Warren D. Ellis of the Philadelphia Office and Stanley W. White of the Boston Office.

The accounting principles and reporting requirements prescribed for life insurance companies and fire and casualty insurance companies were presented by Messrs. McMichael and Cusworth through a series of lectures and class problems. Emphasis was placed on the peculiarities of the prescribed accounting principles and reporting requirements for insurance companies as contrasted with generally accepted accounting principles and reporting practices. Audit techniques peculiar to insurance company engagements were described and illustrated in lectures delivered by L.R.B. & M. personnel. The course also included a brief discussion of the basic principles governing Federal income taxation of both life and fire and casualty insurance companies.

The Stock Brokerage Course

By E. C. Janson, Jr. (New York Office)

A two-day course in stock brokerage accounting and auditing was held in the New York Office on March 28-29, 1960 and was attended by 44 members of the audit staff ranging from staff accountant to manager from seven eastern and midwestern offices.

A short introduction explaining the over-all objectives of the Firm in participating in such engagements was presented by George E. Doty, New York partner. The course consisted of lectures covering the various phases of a stock brokerage engagement such as regulation of security brokers and dealers by the New York Stock Exchange and the S.E.C. (including the minimum audit requirements prescribed by both), the security record, customers' accounts (including classification and margining thereof), "cage" operations, contractual commitments, answer to financial questionnaire, capital requirements and the statement of financial condition.

The lectures were supplemented by a kit containing typical audit working papers and the Answer to Financial Questionnaire and the Statement of Financial Condition based upon such working papers. The A.I.C.P.A. booklet *Audits of Brokers or Dealers in Securities* was also distributed. The lectures were given by P. E. Bocage, H. E. Dieter, E. C. Janson, Jr., J. Laheney and J. L. Ross—all of the New York Office.

A similar course was given in Boston on May 9-10, 1960 to 24 members of the audit staff of that office.

The Machine Accounting Course

By Fred Boas, Jr. (M.S.R. & C.D.)

The Management Services Research & Consulting Division has recently developed a Machine Accounting orientation course. Arrangements have been made with manufacturers to demonstrate and explain various classes of equipment (below the level of punch card machines) which the auditor might expect to encounter during an engagement. An outline of this program has been distributed to each office of the Firm, to be used as a guide for the manufacturers' local representatives.

The course is designed for personnel with a maximum of five years of experience with the Firm.

The Estate Planning Course

By Sidney Kess (New York Office)

Estate and Financial Planning for our clients has come to play an increasingly important part in our Firm's tax practice. As a result, a course has been developed to acquaint the tax specialist and selected staff members with estate and financial planning techniques.

The case method is used, combined with classroom discussion and outside reading. Four cases, which involve a variety of estate and financial problems, an outline of the areas to be covered and a selected reference list are distributed to each participant. The references are: the Firm's publications (Montgomery's Federal Taxes and the Lybrand Tax Newsletter) which contain extensive coverage of this field; the Firm's Tax Reference File (which includes material from the entire Firm's tax practice); and selected articles and texts.

In addition to the four case studies, the facts of an actual case situation in our practice will be distributed to the participants. They will then be expected to draft an estate plan. This plan will then be reviewed by one of the Firm's estate planning experts.

The course will run approximately 40 hours.

Tax Problems of the Individual

A very important part of the staff member's work in many of our offices is the preparation of individual income tax returns. A course is now being developed on "The Tax Problems of the Individual." Its objective will be to review basic principles and to demonstrate the application of these principles in the preparation of federal individual income tax returns.

The National Personnel Meeting

By Raymond G. Ankers, (National Personnel Manager)

The annual meeting of representatives responsible for recruiting and personnel matters in each of our domestic offices will be held on October 20 and 21, 1960, in New York. A number of interesting subjects appear on the agenda, some general and others specific. Several studies are now being made for presentation at the meeting. A synopsis of a few of the items which will be covered at this meeting, based upon preliminary reports, is given in the following paragraphs.

Report on 1959-60 Recruiting

During the past year approximately two thousand college students were interviewed. Over fifteen hundred of these interviews were conducted on ninety-eight college campuses, some of which we visited more than once. The other interviews were conducted at our office as a result of application letters and through referrals by clients, present and former staff members and faculty members and college placement officials of schools not visited by our representatives.

Students interviewed on college campuses who appeared to be likely prospects were invited to visit the office of their choice for second interviews. Following our practice of recruiting on a national basis, representatives from our various offices referred over one hundred students to offices other than their own. As a result of this intensive talent search, practically all of our offices were able to fill their needs.

The competition for outstanding graduates was even keener this year than in past years, but we did not lower our standards to meet our quotas. At our meeting last year, it was agreed that we would make employment offers only to outstanding graduates considering such factors as intelligence, personality, industry, and integrity. Unquestionably, scholastic attainment was given an important weight in employment decisions, but we were not interested only in the "number one" man in his class merely for that reason. We sought men who also possessed personality traits which would fit them for a successful career in public accounting. On the other hand, those having very desirable personality traits but having poor scholastic records were generally considered unlikely prospects.

LYBRAND JOURNAL

The group we employed have attended our Central Training School, and according to the reports we have received, the group as a whole this year is as good as, if not better than, those recruited during the past few years.

Recruitment Program 1961

Preliminary reports indicate that we will employ approximately the same number of graduates and perhaps a few more interns in the 1960-61 recruitment period than we did last year. Plans are being made to review carefully employment results by colleges over the past three years and to revise our list of schools to be visited, eliminating those where our experience has been unsatisfactory and replacing them with others. We expect to visit approximately one hundred schools.

Schools visited in the past were generally those meeting the most rigid scholastic requirement to take the C.P.A. examination. Some modification will be made in this practice. We will visit some schools where accounting education does not meet this requirement in an endeavor to select outstanding students who are willing through postgraduate work to make up deficiencies in order to meet the C.P.A. requirements in the state in which they are employed.

Other Matters

Reports will be presented relative to our elementary and advanced training courses for beginners and our training programs in management services, taxes and other specialized fields. Serious consideration will be given to suggestions for changes in timing of these programs, the nature of the material used and the addition of new courses. Although we were well satisfied with the training programs conducted during the past year, experience indicates that improvements are always possible.

A study is now under way and will be submitted at the personnel meeting concerning the turnover in personnel of those who have been with us for less than four years. Although this study has not been completed, it is quite evident from the information so far available that the number of staff members leaving our employ during this period, excluding those leaving to enter military service, will not exceed 5 per cent per annum.

Another study is being made to determine the correlation between performance in our Central Training programs, the

The National Personnel Meeting

results attained on C.P.A. examinations, and progress attained on staff work. This study has not progressed at the time of writing this article to a point where conclusions can be reached.

The statement prepared during the past year outlining and defining the responsibilities and duties of staff members and specialists, by classifications, will be reviewed. Personnel reports were also revised in order to provide a means of measuring and evaluating more accurately the progress and potentiality of staff members as related to the responsibility area in which they are classified. Personnel reports are reviewed with staff members annually, and we expect that the new reports will prove of even greater value to staff members in appraisal matters than the ones formerly used. Our experience with the use of these reports will be discussed at the October meeting.

A report will also be made at this meeting relative to the results of our Central Placement Program. Through this program we endeavor to assist clients in obtaining experienced and well-qualified personnel to fill important positions. In this connection, members of our own organization receive high priority, but there are numerous instances where former staff members and others are recommended for such openings.

The foregoing gives an indication of some of the matters which are presently on the agenda for the National Personnel meeting, but in all probability others will be added before the meeting is held.

The National Management Services Conference

By James E. Meredith, Jr.

A Firm meeting of the managers of our Management Services practice will be held in New York November 2-5, inclusive. Approximately forty managers, directors and partners are expected to attend the technical and administrative sessions in the New York Office, and participate in informal discussions at the conference hotel.

The purpose of the *technical sessions* is to consider recent developments and to review our approach in determining clients' requirements in light of the wide range of services now available. New types of engagements will be discussed by the M. S. directors to demonstrate important developments in the following areas:

- Profit planning and cost control
- Reporting to management
- Production management
- Work measurement
- Job evaluation, standards and incentive systems
- Electronic data processing
- Communication systems
- Operations research

The various conditions which determine the client's need for each type of service will be outlined and discussed by the group.

There will be a presentation to illustrate the necessary integration of services in such current projects as inventory analysis programming involving production management, operations research and electronic data processing. Sound production scheduling and shop standards will be stressed as requisites to effective inventory and cost control systems.

Mr. Joseph M. Cook and his staff, who joined us August 1, will discuss their work in such fields as general management, production management and personnel management.

The purpose of the *administrative session* is to exchange information about what we are now doing, the extent to which it may be deficient, and the formulation of plans for improving our techniques. The primary areas of discussion will be:

The National Management Services Conference

Organizational functions and responsibilities

Development of M. S. staff

Development of promotional techniques and improved communication
with clients and internally

Techniques in estimating and controlling engagements

M. S. surveys as part of audits.

At the luncheons to be held on November 2, 3, and 4, brief remarks will be made by Mr. Heiser, National Director of Management Services and by members of the Firm's Executive Committee. A social period and dinner will be held at the conference hotel on Thursday and Friday. Informal evening discussion periods are scheduled after these dinners. These two-hour meetings are to be centered around specific questions submitted in advance by the participants.

LYBRAND JOURNAL

Awards and Prizes

THE PRIZE-WINNING ARTICLES FOR 1959

The Firm is pleased to announce the awards for the best manuscripts by staff members published during 1959 in *The Journal of Accountancy*, the *Lybrand Journal* and other technical magazines and journals.

The Journal of Accountancy:

FIRST PRIZE—\$1,000. Awarded to Clifford W. Stowe for his article entitled "Moral Responsibility in Tax Practice."

The Lybrand Journal:

FIRST PRIZE—\$1,000. Awarded to Dr. Michael Shegda for his article entitled "Management Action and Planning for Successful E.D.P. Installation."

SECOND PRIZE—\$500. Awarded to J. Walker Voris for his article entitled "Cost Consciousness Through Cost Control."

Other Publications:

FIRST PRIZE—\$1,000. Awarded to Dr. Felix Kaufman for his article entitled "E.D.P. and the Disenchanted" which appeared in the *California Management Review*.

SECOND PRIZE—\$500. Awarded to Stanley C. Simon for his article entitled "Supreme Court Says No to Capital Gain Treatment of Carved Out Oil Payments" which appeared in *Taxes*.

Awards and Prizes

THE LYBRAND AWARDS FOR COST ACCOUNTING LITERATURE

The President of the National Association of Accountants appoints each year a committee to select the winners of the gold and silver medals and 25 certificates of merit in the Lybrand Awards manuscript competition. The Committee for 1959-1960 was composed of Dr. Sterling K. Atkinson, Vice President and Treasurer of Temple University, Philadelphia, as Chairman, and Mr. A. M. Manweiler, Budget Director of American Meter Co., Philadelphia, and Mr. Willis L. Russell, Treasurer, before his retirement in 1957, of the National Cash Register Co., Dayton, Ohio.

The gold medal was awarded to Mr. Wilmer Wright, President of Wright Associates, Inc., for his paper "Direct Costs are Better for Pricing." The silver medal was awarded to Mr. Julius Wiener, Chief Accountant of Everlastik, Inc., for his paper "To Better Results Through a More Accurate Break-Even Formula."

The Lybrand Awards for Cost Accounting Literature were established in 1949 by the partners of L.R.B. & M. in honor of Mr. Lybrand's many years of service in furthering the aims of the National Association of Accountants.

THE MONTGOMERY PRIZE

The winner of the Montgomery Prize for 1959-1960 was Mr. John W. Konvalinka, Jr. The prize was established in 1916 by Colonel Montgomery to be awarded annually to the member of the graduating class of the School of Business at Columbia University who specialized in accounting and who was considered by the faculty of the School to be the most proficient in all courses.

THE ADAM AVERELL ROSS MEMORIAL PRIZE

In 1939 Mr. T. Edward Ross, in memory of his brother, Adam Averell Ross, established annual prizes for outstanding students of the Wharton School of Finance and Commerce, University of Pennsylvania.

The prize for 1959-1960 for the graduating senior who showed the most promise in the field of accounting was awarded to Mr. Alan Miles Black.

The prize to the student in the Graduate Division majoring in accounting who presented the best thesis for the Master of Business Administration Degree was awarded to Mr. Fred Whittaker Shaffer.

Recent Library Acquisitions

By Dorothy Kasman (New York Office)

- American Institute of Certified Public Accountants. Accounting for greater profits (a special selection of studies in management accounting from The Journal of Accountancy). 1960.
- American Management Association, Inc. Aspects of east-west trade; policies, experiences, and practical guides. A M A Management Report No. 45. 1960.
- American Management Association, Inc. The business man in politics, and other matters of top management concern. A M A Management Report No. 37. 1959.
- American Management Association, Inc. The changing dimensions of office management; technical and managerial trends in administrative operations. A M A Management Report No. 41. 1960.
- American Management Association, Inc. Classics in management. Harwood F. Merrill, Ed. 1960.
- American Management Association, Inc. Creativity: key to continuing progress. A M A Management Bulletin No. 4. 1960.
- American Management Association, Inc. Data processing today: a progress report. A M A Management Report No. 46, Finance Division. 1960.
- American Management Association, Inc. The field sales manager: a manual of practice. Albert Newgarden, Ed. A M A Research Report No. 48. 1960.
- American Management Association, Inc. Financial planning for greater profits: objectives, techniques, and company practices. A M A Management Report No. 44, Finance Division. 1960.
- American Management Association, Inc. Maintaining the product portfolio; the commercial development concept. A M A Management Report No. 42. 1960.
- American Management Association, Inc. Organizing for effective production planning and control. A M A Management Bulletin No. 5. 1960.
- American Management Association, Inc. Organizing for international operations. By Alexander O. Stanley. A M A Research Study 41. 1960.
- American Management Association, Inc. Pension planning: a data book. By Elliot Romm. A M A Research Study 43. 1960.
- American Management Association, Inc. Plastic foams for packaging. A M A Management Report No. 43. 1960.
- American Management Association, Inc. Risk management today: problems, trends, and practices. A M A Management Report No. 47. 1960.
- American Management Association, Inc. Setting standards for executive performance. By John W. Enell and George H. Haas. A M A Research Study 42. 1960.
- American Metal Market. Metal statistics, 1960, 53rd ann. ed.
- Amory, Robert, Jr., and Hardee, Covington. Materials on accounting; an introduction to the problems and practice of financial accounting for students of law, 3rd ed. The Foundation Press. 1959.

Recent Library Acquisitions

- Andersen, Arthur, & Co. The A.I.C.P.A. injunction case re ARB No. 44 (revised). Cases in Public Accounting Practice, Vol. 1. 1960.
- Anthony, Edward L. Equity capital and small business. Small Business Management Series, No. 24. S.B.A. 1960.
- Baker, C. T., and Dzielinski, B. P. Simulation of a simplified job shop. IBM Research Center. May 15, 1959.
- Bennett, Earl D. Cost administration: cases and notes; accounting for cost control and product decision. Prentice-Hall. 1960.
- Bennett, Howard F. Precision power; the first half century of Bodine Electric Company. Appleton-Century-Crofts. 1959.
- Best, Alfred M., Company, Inc. Best's insurance guide with key ratings, 54th ann. ed. 1960.
- Bowman, Edward H., and Fetter, Robert B., Eds. Analyses of industrial operations. Richard D. Irwin. 1959.
- Burton, A. J., and Mills, R. G. Electronic computers and their business applications. Ernest Benn Limited, London. 1960.
- Caywood, Russell E. Electric utility rate economics, 1st ed. McGraw-Hill. 1956.
- Cherry, Colin. On human communication; a review, a survey, and a criticism. The Technology Press, M. I. T., and John Wiley. 1957.
- Croxtan, Frederick E., and Cowden, Dudley J. Practical business statistics, 3rd ed. Prentice-Hall. 1960.
- Davis, B. J. Inflation, its treatment in accounts. Gee and Company (Publishers) Limited, London. 1953.
- Directory of directors in the City of New York. Directory of Directors Co., Inc. 1960.
- Dunbaugh, Frank Montgomery. Marketing in Latin America. Printers' Ink Book Company, New York. 1960.
- Fear, Richard A. The evaluation interview; predicting job performance in business and industry. McGraw-Hill. 1958.
- Flagle, Charles D.; Huggins, William H.; and Roy, Robert H. Operations research and systems engineering. The Johns Hopkins Press, Baltimore. 1960.
- Foreign Tax Law Association. Tax digests of the world—Vol. I: A to B, Aden Colony to Burma. n.d.
- Goldner, Jack. Accounting manual for export-import companies: systems, control of costs and inventories. Matthew Bender. 1960.
- Grant, Eugene L., and Ireson, W. Grant. Principles of engineering economy, 4th ed. Ronald. 1960.
- Gregory, Robert H., and Van Horn, Richard L. Automatic data-processing systems, principles and procedures. Wadsworth Publishing. 1960.
- Haskins & Sells. Selected papers, 1959.
- Hay, Leon E. Budgeting and cost analysis for hospital management. University Publications, Bloomington, Indiana. 1958.
- Howard, Ronald A. Dynamic programming and Markov processes. The Technology Press of M. I. T., and John Wiley. 1960.
- Jaspan, Norman, with Black, Hillel. The thief in the white collar. J. B. Lippincott. 1960.

LYBRAND JOURNAL

- Johnson, Eldred A. Accounting systems in modern business. McGraw-Hill. 1959.
- Johnson, James T., and Brasseaux, J. Herman. Readings in auditing. South-Western Publishing. 1960.
- Larson, Henrietta M., and Porter, Kenneth Wiggins. History of Humble Oil and Refining Company; a study in industrial growth. Harper. 1959.
- Lebhar, Godfrey M. Chain stores in America, 1859-1959, centennial edition. Chain Store Publishing Corporation, New York. 1959.
- Little, A. J., and MacDonald, W. L. Mining accounting in Canada. The Canadian Institute of Chartered Accountants. March 1960.
- McCarthy, Philip J. Introduction to statistical reasoning. McGraw-Hill. 1957.
- McFadden, J. A., Jr., and Tuska, C. D. Accounting and tax aspects of patents and research. D. Van Nostrand. 1960.
- Miller, David W., and Starr, Martin K. Executive decisions and operations research. Prentice-Hall. 1960.
- Mineral facts and problems, 1960 ed. Bulletin 858. U. S. Bureau of Mines. U.S.G.P.O. 1960.
- Neuschel, Richard F. Management by system, 2nd ed. McGraw-Hill. 1960.
- New York statutes relating to savings banks. Compiled by the Savings Banks Association of the State of New York. June 1960.
- Operations Research Center. Notes on operations research, 1959. The Technology Press, M. I. T. 1959.
- Rand McNally cosmopolitan world atlas. Rand McNally & Co. 1959.
- Roberts, David R. Executive compensation. The Free Press. 1959.
- Securities and Exchange Commission. Judicial decisions, Vols. 3 and 4. U.S.G.P.O. 1960.
- Slonim, Morris James. Sampling in a nutshell. Simon & Schuster. 1960.
- Statistics of income 1957-58—corporation income tax returns, with accounting periods ended July 1957-June 1958. U. S. Treas. Dept., IRS Publ. No. 16. U.S.G.P.O. April 1960.
- Statistics of income 1957-58—U. S. business tax returns: sole proprietorships, partnerships, corporations. U. S. Treas. Dept., IRS Publ. No. 438. U.S.G.P.O. 1960.
- Sweeney, Daniel L. Accounting for stock options. Bureau of Business Research, School of Business Administration, The University of Michigan. 1960.
- Welch, W. Evert. Tested scientific inventory control. Management Publishing Corp. 1959.
- Wheelan, Robert B. Corporate records retention, Vol. 3: a guide to requirements of state governments of the U. S. Controllers Institute Research Foundation. 1960.
- Who's who in credit and financial management. New York Credit & Financial Management Association. April 1, 1960.
- Wiesenberger, Arthur & Co. Investment companies, 20th ann. ed. 1960.
- Wilson, H. A. R. J. Spicer and Pegler's income tax and profits tax, 23rd ed. H. F. L. (Publishers) Ltd., London. 1957 (with 1958 and 1959 supplements).

Speaking Engagements

<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
Apr.			
1	Tibor Fabian, M.S.R. & C.D.	Faculty Seminar—Wharton School of Finance	Operations Research—Study of Business Research
1	Raymond E. Graichen, Philadelphia	Pennsylvania Bankers' Association Spring Trust Conference, Harrisburg	Personalities in Estate Planning
4	Herman Stuetzer, Jr., Boston	Massachusetts Society of C.P.A.s	Radio Panel Discussion—Tax Pitfalls
6	Carroll W. Phillips, Dallas	Southern Methodist University, Certified Property Casualty Class	Budgeting Principles Used in Business
7	Robert L. Benson, William J. Holland, Philadelphia	N.A.A., Philadelphia Chapter Discussion Forum	Work Simplification of Records and Procedures—Early Closings and Reports
7	William R. Hindman, Chicago	National Society of Business Budgeting, Louisville Chapter	Increasing the Effectiveness of Budgeting by Use of the Direct Costing Technique
8-9	Louis H. Rappaport, New York	Practicing Law Institute, New York	Buying, Selling and Merging of Business
11	Alvin H. Carley, Boston	Braintree High School Cohasset High School Weymouth High School	Careers in Business Management
12	Tibor Fabian, M.S.R. & C.D.	Operations Research Society, Philadelphia Chapter	Inventory Management
12	Robert S. Haas, Philadelphia	Associated General Contractors of America, Delaware Chapter, Wilmington	Accounting as a Profit-Making Tool
12	James F. Holmes, M.S.R. & C.D.	Systems & Procedures Association, Dallas Chapter	Data Communication
12	Michael Shegda, M.S.R. & C.D.	Federal Government Accountants Society, Philadelphia	Accounting for Systems
13	Robert S. Haas, Philadelphia	Ambler High School Career Conference	Accounting as a Career
14	Darwin Ley, Chicago	Steel Founders Society, Manage- ment Accounting Group, Chicago	Improved Reports for Better Control
18	William W. Ragsdale, Jr., Birmingham	N.A.A., North Alabama Chapter	Internal Control
19	John J. Fox, Detroit	Institute of Internal Auditors, Saginaw Valley Chapter	How Audit Reports Can Increase Profits
19	H. C. Heiser, M.S.R. & C.D.	N.A.A., Olean-Bradford Chapter	Direct Costing
19	William J. Holland, Philadelphia	Pennsylvania Institute of C.P.A.s, Drexel Institute of Technology Technical Meeting	Evaluating an Organization
19	James E. Meredith, Jr., Philadelphia	N.A.A., Greenwich-Stamford Conn. Chapter	Organizing for Systems Study
21	George A. Hewitt, Philadelphia	N.A.A., Philadelphia Chapter, 40th Anniversary	Proper Accounting is Freedom to Know the Truth
21	James F. Holmes, M.S.R. & C.D.	A.M.A., Dallas	Communications Surveys, Feasi- bility Studies and Cost Analyses

LYBRAND JOURNAL

<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
Apr.			
21	Stanley C. Simon, Dallas	Petroleum Accountants Society, Midland, Texas	Current Developments in Oil and Gas Taxation
22	Maurice B. T. Davies, Los Angeles	A.M.A., San Francisco	How to Use Graphics
23	David G. Fernald, New York	National Western Mining and Energy Conference, Denver	Ordinary Treatment Processes for Percentage Depletion—Observa- tions on the Government's Brief in the Cannelton Case
23	Louis S. Sorbo, Louisville	Kentucky Society of C.P.A.s, Western Kentucky Conference, Kenlake	Panel Discussion—Income Taxes
26	H. C. Heiser, M.S.R. & C.D.	District of Columbia Controller Institute, Washington	Operations Research
26	William R. Hindman, Chicago	N.A.A., Rockford Chapter	Direct Costing for Profit Planning
26	Robert S. Warner, Los Angeles	U.C.L.A. Accounting Society	Analysis of Challenges to Present Day Accounting
30	James E. Gelbert, Pittsburgh	Tri-State Tax Institute, Wheeling College, Wheeling, W. Va.	Current Events and Trends in Taxation
30	Frank P. Smith, New York	12th Annual Meeting, American Accounting Association, South- eastern Section, Knoxville	Round Table Discussion—The Curriculum and Requirements for the Undergraduate Major in Accounting
May			
2	Maurice B. T. Davies, Los Angeles	A.M.A., New York	The Public Accountant Views Internal Auditing
3	Michael Shegda, M.S.R. & C.D.	N.A.A., North Pennsylvania Chapter, Gwynned	Management Action and Planning for Successful EDP Introduction
3	Michael Shegda, M.S.R. & C.D.	Edison Electric Institute, Philadelphia	Management Action and Planning for Successful EDP Introduction
4-5	John J. McCullough, Detroit	University of Michigan Inter- national Business Conference	Tax Considerations in the Opera- tion of International Business
4	Maurice B. T. Davies, Los Angeles	Systems & Procedures Association, Tulsa Chapter	Systems and Professional Management
6	H. C. Heiser, M.S.R. & C.D.	A.M.A., New York	Progress Through Performance
6	Norman J. Lew, Cincinnati	American Appraisal Company	Tax Aspects of Mergers and Acquisitions
6	Frank P. Smith, New York	California Society of C.P.A.s 4th Annual Conference on Personnel, Palo Alto	Personnel Problems in a Changing World
7	Donald M. Russell, Detroit	University of Detroit First Annual Accounting Conference	Certain Business Aspects of an Accounting Practice
10	Alfred T. Dent, Chicago	Honorary Accounting Society of Western Michigan University, Kalamazoo	Public Accounting—A Growth Profession
12	Roy L. Bouque Los Angeles	Conference of Northwest Pension, Health and Welfare Adminis- trators, Seattle	Panel Discussion—Current Prob- lems of Pension, Health and Welfare Administrators
12	A. S. Sapega, M.S.R. & C.D.	Illinois Bell Telephone Co., Man- agement Group, Chicago	History and Results of EDP Installations
12	Joseph E. Tansill, Chicago	Tax Executives Institute, Western Michigan Chapter, Kalamazoo	Developments in Taxation

Speaking Engagements

<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
May			
14	Maurice B. T. Davies, Los Angeles	N.A.A., San Francisco Chapter	Direct Costing as an Aid in Management Decision Making
14	Charles R. McCready, Eugene M. Freedman, William G. Casey, Boston	Massachusetts Society of C.P.A.s Seminar, Boston University	Discussion Leaders—Planning and Controlling for Profits in the Small Business
16	Norman E. Auerbach, New York	New York State Society of C.P.A.s Technical Meeting	Panel Discussion—Accounting Methods and Taxable Years
17	Jerome Y. Halperin Detroit	Conference Program on Practical Management for Smaller Business sponsored by Kalamazoo College, Business and Industrial Management Center and Small Business Administration, Kalamazoo College Campus	Taxation for Smaller Businesses
17	Thomas W. McKibben, Tulsa	Joint Meeting—Muskogee C.P.A.s and Attorneys, Muskogee	Oklahoma Rules of Professional Ethics
17	M. E. Richardson, New York	Delaware Society of C.P.A.s, Wilmington	Ethics and Tax Practice
17	Stanley C. Simon, Dallas	N.A.A., Houston Chapter	Accelerated Depreciation
18	Joseph M. Conder, Dallas	District Accounting Conference of Milk Industry Foundation, Dairy Products Institute of Texas, Inc. and International Association of Ice Cream Mfgs.	The Internal Revenue Service Looks at Employees' Expense Accounts and Entertainment Expenses
18	Lorne Olsen, Detroit	Walled Lake Rotary Club	The Arts and Sciences of Certified Public Accounting
18	H. O. Reyburn, Tulsa	Texas Society of C.P.A.s, Harlingen Chapter	American Institute of Certified Accountants Activities
19	H. O. Reyburn, Tulsa	Texas Society of C.P.A.s, Corpus Christi Chapter	American Institute of Certified Accountants Activities
20	Raymond G. Ankers, New York	New Jersey Society of C.P.A.s Annual Meeting	Staff Selection, Recruiting and Training
20	Richard W. Cobb, M.S.R. & C.D.	17th National Meeting, Operations Research Society of America, New York	Measurement and Control of the Performance of a Laboratory System
20	Joseph M. Conder, Dallas	Texas Society of Association Executives	The Internal Revenue Service Looks at Employees' Expense Accounts and Entertainment
20	P. L. Defliese, New York	Indiana Association of C.P.A.s, Indianapolis	Internal Control and Its Significance in the Auditing of Small and Medium Sized Companies
21	Arthur J. Yasan, M.S.R. & C.D.	17th National Meeting, Operations Research Society of America, New York	Static Inventory Policies with Time Lag
23	Herbert H. Schueller, New York	Tax Study Group, New York University Institute on Federal Taxation	Tax Problems of the Common Market
24	Tibor Fabian, M.S.R. & C.D.	Wharton School of Finance and Commerce, Philadelphia	Mathematics & Business Systems
26	J. Walker Voris, Los Angeles	Western Systems Conference, Los Angeles	Opening Remarks—Chairman Industry Session on Financial, Utilities and Service Organizations

LYBRAND JOURNAL

<i>Date</i>	<i>Speaker</i>	<i>Organization</i>	<i>Topic</i>
May			
31	William G. Casey, Boston	Massachusetts Society of C.P.A.s, Western Chapter, Springfield	Management Services by C.P.A.s
31	Kendall B. Murray Boston	New England Hospital Assembly Institute, Fitchburg	Discussion Leader—Developing Optimum Hospital Costs
June			
3	Thomas W. McKibben, Tulsa	Oklahoma State C.P.A. Convention, Wagoner	Oklahoma Rules of Professional Ethics
7	Raymond E. Graichen, Philadelphia	A.M.A., New York	Panel Discussion—Tax Considera- tions in Acquisitions
8–	Tibor Fabian,	A.M.A., New York	Chairman, Panel Discussion—
10	M.S.R. & C.D.		Operations Research
8	Herbert H. Schueller, New York	Tax Executives Institute, New York	Certain Aspects of Operating on the European Common Market
9	Donald R. Burry, Detroit	American Association of Hospital Accountants, Central Michigan Chapter, Frankenmouth	Organization of a Hospital Accounting Department
13–	Raymond G. Ankers,	Lehigh University, Recruiters'	Panelist and Group Leader
15	New York	Conference	
13	Philip L. Defiese, New York	A. M. Pullen & Company Firm Meeting, Sea Island, Georgia	Implementation of Our Arrange- ments with A. M. Pullen & Company
13	A. R. Jennings, New York	A. M. Pullen & Company Firm Meeting, Sea Island, Georgia	The Public Accountant in 1970
13	A. S. Sapega M.S.R. & C.D.	Systems & Procedures Association, Boston Chapter	Testing Techniques for Selection of Programs
14	James E. Meredith, Jr., Philadelphia	Pennsylvania Institute of C.P.A.s Annual Meeting, Bedford Springs	Chairman, Panel Discussion— Management Services by C.P.A.s
14	M. E. Richardson New York	16th Annual Southern States Conference, Mobile	The C.P.A.'s Responsibility in Tax Practice
15	Roy L. Bouque, Los Angeles	Los Angeles State College Annual Institute on Government	Panel Discussion—Organizing for Greater Efficiency
15	A. S. Sapega, M.S.R. & C.D.	Illinois Bell Telephone Company Management Group, Chicago	History and Results of EDP Installation
16	Frank P. Smith, New York	13th Annual Accountant's Gradu- ate Study Conference, University of Michigan	Panel Discussion—Education for Public Accountancy
20	Raymond G. Ankers, New York	New York State Society of C.P.A.s Annual Meeting, Manchester, Vt.	Report on May 1960 A.I.C.P.A. Council Meeting
20	H. C. Heiser, M.S.R. & C.D.	N.A.A. International Accounting Conference, New Orleans	Are You Ready for Data Processing?
21	Eldin H. Glanz, Detroit	Kiwanis Club, Petoskey, Mich.	Accounting and the Science of Keeping Meaningful Records
22	A. S. Sapega, M.S.R. & C.D.	Texas State Society of C.P.A.s Annual Meeting, Dallas	What Is EDP?
23	Charles R. Cook, Los Angeles	Los Angeles Downtown Optimist Club	Chairman—Luncheon Meeting
24	Paul D. Yager, Washington	12th Annual Conference on Federal Taxation, University of Virginia	Earnings and Profits Under the Tax Law
27	Burton J. Lindgren, Rockford	Estate Planning Council of Rockford	Tax Aspects of Deferred Compensation Plans

Notes

INTERNATIONAL FIRM

Mr. Hushang Hoghughi, a staff accountant of the National Iranian Oil Company in Tehran, Iran, has recently joined the New York staff for a year of training in American accounting and auditing practices.

Mr. Thomas J. McHugh has been transferred from the Washington Office and Mr. Robert L. Turner has been transferred from the San Francisco Office to the Firm's International Department in New York.

BALTIMORE

Mr. Arthur R. Ransom, Jr. has been elected Vice President of the Baltimore Chapter of the Systems and Procedures Association for the term ending June 30, 1961.

Messrs. Don C. Macaulay and John W. Simmons, Jr. have successfully completed the C.P.A. examination.

BIRMINGHAM

Mr. Ragsdale appeared on a television panel discussion in connection with a proposed bond issue of the City of Birmingham.

BOSTON

Messrs. Sheldon M. Blazar and Robert S. Lappin have been admitted to membership in the A.I.C.P.A.

Mr. Melvin A. Dyson has been appointed to the Moderator's Advisory Council of the Town of Hingham.

Mr. Roderick K. Macleod is serving as Treasurer of the Massachusetts Chapter of the National Organization for Mentally Ill Children for 1960-61.

Mr. James Neely, Jr. has been elected President of the Bay State Chapter of the Systems and Procedures Association for 1960-61.

Mr. Stuetzer is serving as a member of the Taxation Committee of the U. S. Chamber of Commerce for 1960-61; he is also Co-Chairman of the Kieth for Congress Fund in Hingham.

Mr. William R. Wilson has been elected Vice Chairman of the Wrentham Republican Town Committee for four years.

LYBRAND JOURNAL

The annual outing of the Boston Office was held at the Blue Hills Country Club in Canton on Friday, June 10. Ideal weather contributed to the enjoyment of varied recreational activities during the morning and afternoon followed by cocktails, dinner, entertainment and dancing in the evening. Mr. Richard H. Forsythe, Jr. won possession of the Boston office golf trophy for the coming year. Guests included Mr. and Mrs. John R. Berthoud and Mr. and Mrs. William B. Keast.

The following members of the Boston Office have successfully completed the C.P.A. examination:

Donald A. Day
John A. Densmore

John H. Holdsworth
Vincent F. Raso

CHICAGO

The following members of the Chicago Office have been awarded C.P.A. certificates:

Beryl D. Halterman
William E. Kossian

Thomas J. Rownd
William B. Snow

Lawrence B. Sullivan

CINCINNATI

Mr. Davis is serving as Director of the University of Michigan Cincinnati Club for 1960-61.

The following members of the Cincinnati Office staff have successfully completed the C.P.A. examination:

William H. Bruns
Fred J. Cox

Virgil L. Hundley
Harold M. Saunders

DALLAS

Mr. Welsch is serving as a director of the Hillcrest Estates Association for 1960-61.

DETROIT

Mr. Frank R. Gilsdorf has been elected Vice President of the local Catholic Accountants Guild for 1960-61.

Mr. Gofrank has been appointed Chairman of a special committee to evaluate the finances and activities of Lost Lake Woods Club, a hunting and fishing club with 1,200 members.

Mr. Lorne Olsen instructed a class for the Spring term in "Small Business Procedures" in the Adult Education Program of the Walled Lake High School, Walled Lake, Michigan.

Notes

The following members of the Detroit Office have successfully completed the C.P.A. or Certificate of Examination requirements:

Richard W. Berkau	C.P.A.
Joseph E. Connell	C.P.A.
Clare R. Hagen	C.P.A.
Stefan M. Poth	C.P.A.
Ronald W. Woods	C.P.A.
Robert F. Anderson	C. of E.
William D. Johns	C. of E.
Walter H. Jorgensen	C. of E.
David S. Miller	C. of E.
Raymond P. Paciotti	C. of E.

HARTFORD

Mr. Berthoud has been admitted to membership in the Newcomen Society of America.

Mr. Darwin R. Carpenter is serving as Auditor of the Hartford Chapter of the N.A.A. for 1960-61.

Mr. Stanley N. Roseberry was awarded a gold medal by the Connecticut State Society of C.P.A.s for the highest grades in the May 1959 examination.

LOUISVILLE

Mr. Thomas K. Baer was presented with the Past Presidents Award at the Louisville Chamber of Commerce's Installation and Awards Banquet. This award was made in recognition of Jaycee leadership during the fiscal year 1959-60.

LYBRAND JOURNAL

LOS ANGELES

Mr. James F. Falls, Jr. is serving as a member of the Committee on Research of the Los Angeles Chapter of the Institute of Internal Auditors for 1960-61.

Mr. J. Walker Voris is serving as Director at Large of the Los Angeles Chapter of the Systems and Procedures Association for 1960-61.



Los Angeles Office Staff Outing

Row 6 (Top Row)

GENE S. MULKEY, MARSHALL M. JOHNSON, HARRY D. BURGE, DAVID V. BURGETT, NORMAN A. ERICKSON, ROY BARDON MAGINNIS, VICTOR L. LIOTTA, ROBERT B. CUNNINGHAM, HERMAN J. GROTHMANN, JAMES W. FARINET, JOHN F. LILLICROP.

Row 5

J. EVERETT MORRIS, JOHN W. KENNEDY, JR., RICHARD W. RUSSELL, ROBERT C. PACE, CARL M. MOSER, ALAN MAY, JR., NEAL M. EDWARDS, RICHARD J. ANGAROLA, RICHARD M. THORSEN, VERNON R. BELL, MORGAN B. B. KNECHTEL, JOHN H. CRAWFORD, GERALD R. PERLSTEIN, ALFRED F. MATT, CARL J. SOHN, FRANK Y. GARRISON, JR.

Row 4

PAUL PIKE, ROBERT A. POONS, PAUL A. BRUNNER, SCOTNEY C. GEORGE, CHARLES R. HUTCHINSON, RICHARD A. BOTTENFIELD, FRED L. ROY, G. ROBERT SULLIVAN, J. WALKER VORIS, MANUEL J. ARMENDARIZ, JOHN R. THOMAS, JAMES E. STEAD, SHERMAN L. HARPER, RICHARD H. KRAUSE, JAMES F. FALLS, JR.

Row 3

JOHN M. PURDY, IRVING L. VAN DYNE, JOHN N. MCCORD, ROLANDO ORTEGA, EDWIN B. CASSIDY, JOHN W. JOHNSON, KENNETH V. DOMINGUES, CHARLES R. COOK, ROBERT J. BORGMANN, CHARLES A. PEARSON.

Row 2

ALBERT D. BROWN, JOHN J. THOMAS, MARCUS S. LOBE, ARTHUR R. BARRON, ROBERT S. WARNER, EDWARD L. LENGAT, LOUIE M. BRADLEY, FRED E. RHODES, NELSON R. GILBERT, JR., MAURICE B. T. DAVIES, HARLAN W. LOOMAS, ROBERT E. JONES.

Row 1—(Bottom Row)

HERBERT J. MCCLANAHAN, DAVID A. OXLEY, HARRY W. MOORE, THOMAS J. MCINTOSH, ROBERT S. STRAITH, HARRY C. VOURNAS, GERALD ROSHWALD, JOHN E. CUTLER, NEWELL O. DOHLEN, JR., LANSING E. EBERLING, JAMES M. NICOLAI.



MARK E. RICHARDSON

NEW YORK

In its May meeting, the New York State Society of Certified Public Accountants presented an award to Mr. Richardson with the following citation:

For his long and distinguished record of dedicated service to the accounting profession in our State and throughout the nation. Mr. Richardson was Co-Chairman of the National Conference of Lawyers and C.P.A.s and played an important part in negotiations leading to the present satisfactory relationships with the Bar. His leadership in Federal tax matters has been outstanding as have been his advisory services to governmental agencies, including Congressional Committees on the operation and reorganization of the Internal Revenue Service. His work with our Federal Taxation Committee and other Society committees, particularly his active and effective work in professional legislation have been most valuable contributions. It is significant that Mark Richardson has been active in four State Societies and the A.I.C.P.A. during his long career of service to the profession.

ARCHIBALD U. BRAUNFELD
Secretary

THOMAS G. HIGGINS
President

New York, New York
May 1960

LYBRAND JOURNAL

Mr. Gerald W. Ackerman has been elected to a two-year term as a member of the Board of Directors of the North Jersey Bridge Association; he is also serving the Association as Vice President and Auditor.

Mr. Bardes is serving as Chairman of the special committee on national taxation of the Commerce and Industry Association of New York.

Mr. Charles T. Beach is serving as Trustee of the Halsted School, Yonkers, and is also a member of its Finance, Scholarship and Building Fund Committees. In addition, he is Chairman of the Halsted Summer High School. Mr. Beach is also a member of the Executive Committee, Chairman of the Admissions Committee and a member of the Special Awards Committee of the Westchester County Grand Jurors Association, Inc. and is a member of the Special Gifts Committee of Syracuse University.

Mr. Colegrove has been elected Treasurer and a Director of the Edgemont "E" Club, a father's club which supports athletic activities of the Edgemont High School in Scarsdale.

Mr. Fernald was presented with a fifty-year certificate of membership by the New York State Society of C.P.A.s at a recent dinner meeting. He also received recognition of his service as one of the past presidents of the New Jersey Society of C.P.A.s by means of a certificate of appreciation.

Mr. Jennings has accepted membership on the Honorary Committee of the U. S. World Trade Fair. He has also joined the Committee of representative members of the accounting profession sponsored by the Accountants Division of the National Fund for Medical Attention and is serving on a special committee which is being formed to plan a fitting tribute to Dr. Tom Dooley.

Mr. William A. Mitchell is a member of the Juvenile Conference Committee of the Borough of Maywood, N. J.

Mr. William J. Neary is serving as a member of the Accountants Committee of the Larchmont Committee of the Laity, as a member of the Beach Committee of the Larchmont Shore Club, as a member of the Building Fund Campaign Committee of Annunciation Church, Crestwood, and as a Director of the Taxpayers Association of Northeast Yonkers.

Mr. Joseph P. O'Rourke has been elected President of the Alumni Association of Adelphi College.

Mr. Richardson is serving as Chairman of the Committee on Taxation and is an Ex-Officio member of the Executive Committee of the New York Chamber of Commerce for 1960-61.

Mr. Robert J. Schoen has been elected Vice President of the Milton School P.T.A. of Chatham, N. J.; he is also alternate delegate to the Diocesan Convention of the Episcopal Diocese of Newark and is President of the Couples Club of Grace Episcopal Church, Madison, N. J. for 1960-61.

Mr. E. A. Staub has been appointed Chairman of the Accountants Committee of the U.S.O.

The New York Office outing was held at the Montclair Golf and Country Club on June 6. Approximately 250 members of the office and guests participated. An Alumni Outing was held at the Ridgewood Country Club, Paramus, N. J. on June 27 for L.R.B. & M. personnel, alumni and guests. From all reports, the outings were thoroughly enjoyed by all attending.

CONRAD B. TAYLOR

Mr. Conrad B. Taylor passed away suddenly June 15, 1960 at the age of 72. Born and educated in England, he had had considerable business experience both in that country and in America before joining the staff of our Chicago Office in 1917. He was transferred to Detroit in 1920 and to New York in 1922, where he took charge of the tax department. He became a partner in 1929 and retired from active practice in 1953.

During Mr. Taylor's entire service with the Firm, he was known for his unfailing courtesy and consideration for others and his quiet, scholarly ways. Devoting a large part, but not all, of his time to tax practice, he was the author of articles in the field and devoted himself intensively to *Montgomery's Federal Taxes*, of which he was a co-author from 1944 until his retirement.

Mr. Taylor never lost his interest in his native England, returning there frequently for vacations and visits to relatives. Other outside interests were tennis, as long as his health permitted, and music. He and Mrs. Taylor for many years served tirelessly as directors of music at The Church in the Gardens, Forest Hills, N. Y. and helped to establish there a strong program of classical religious music.

Eldest of a large family, Mr. Taylor is survived only by a brother and three sisters. His wife passed away just a few months earlier after a long illness. We extend our deepest sympathy to the family.

LYBRAND JOURNAL

PHILADELPHIA



GEORGE A. HEWITT

Mr. Hewitt has been elected President of the National Association of Accountants for the year beginning July 1, 1960.

Mr. Graichen has been appointed to the Economics and Tax Council of the Chamber of Commerce of Greater Philadelphia.

Mr. Jerome J. Lane received an engraved certificate for being one of the three persons who attained the highest grades in the 1959 C.P.A. examinations.

Mr. William H. Lundquist is serving as Chairman of the Finance Committee of the Board of Directors of Grace Presbyterian Church of Jenkintown.

Mr. John L. Moneta has been appointed Chairman of the Capital Goods Replacement Committee of the Chamber of Commerce of Greater Philadelphia.

Mr. Lloyd S. Mortimer is a member of the Accounting Committee of the Wayne Presbyterian Church for 1960.

Notes

Mr. Taylor is a member of the Salvation Army's Advisory Board of Greater Philadelphia.

Mr. Robert E. Walley, Jr. has been elected Treasurer of the Spring City Authority for a five-year term.

Mr. Zug has been serving as Chairman of a committee of citizens in the Philadelphia area in the interests of the Children's Service, Inc.

Miss Florence R. Brizendine and Miss Cecilia M. Murdoch were presented with gifts recently on the occasion of their retirement, after 36½ and 37 years of service, respectively.

The Philadelphia Office Stag Outing was held at the Tavistock Country Club, Haddonfield, N. J.

PITTSBURGH

Mr. Jerry D. Sullivan received an engraved certificate for being one of the three persons who attained the highest grades in the 1959 C.P.A. examinations.

Mr. James Vanderpol has been transferred from Boston to the audit staff of the Pittsburgh Office.

ROCKFORD

Miss Katherine Jones visited the Paris Office of Coopers & Lybrand while on a trip abroad.

Mr. Edward J. Rudnicki is serving as Solicitor of the Rockford Chamber of Commerce.

SAINT LOUIS

Mr. Eugene J. Sigillito successfully completed the May, 1960, C.P.A. examination.

SAN FRANCISCO

Mr. Dorr W. Grover has been admitted to membership in the A.I.C.P.A.

Mr. Martin J. Hanlon is serving as Chairman of the Legislative Committee of the San Francisco Aid to Retarded Children.

Mr. J. Wesley Huss has been appointed a member of the Budget Study Committee of the United Community Fund of San Francisco for 1960-61. He has also been appointed Chairman of the Special Prospects C.P.A. Group of the United Community Fund of San Francisco.

TULSA

Mr. McKibben has been appointed Chairman of the Budget Committee of the Tulsa Community Chest for the current year.

Lybrand, Ross Bros. & Montgomery

PARTNERS

WILLIAM M. LYBRAND

CLARENCE H. AHSLER	New York
ROBERT L. AIKEN	Seattle
J. F. STUART ARTHUR	Dallas
J. K. S. ARTHUR	Dallas
NORMAN E. AUERBACH	New York
PHILIP BARDES	New York
WILLIAM T. BARNES	Washington
R. KIRK BATZER	New York
HERMON F. BELL	New York
JOHN R. BERTHOUD	Hartford
NORMAN A. BOLZ	Detroit
JOSEPH W. BOWER	Pittsburgh
HERBERT G. BOWLES	Los Angeles
LOUIE M. BRADLEY	Los Angeles
ROGER F. BURD	Philadelphia
J. EDWARD BURKE	New York
HILTON R. CAMPBELL	New York
EDWARD G. CARSON	New York
HAROLD C. CHINLUND	Baltimore
CLIFFORD J. CODE	Detroit
REED L. COLEGROVE	New York
JAMES P. COLLERAN	Cleveland
JOSEPH M. CONDER	Dallas
W. HOMER CONKLING	New York
WILLIAM P. CROUCH	Houston
MAURICE B. T. DAVIES	Los Angeles
ROBERT W. DAVIS	Cincinnati
PHILIP L. DEFLIESE	New York
FRED C. DENNIS	Cincinnati
ALFRED T. DENT	Chicago
GEORGE E. DOTY	New York
ROBERT W. EGNER	New York
HENRY C. ELPERS	New York
RICHARD T. FARRAND	Philadelphia
HENRY B. FERNALD	New York
JOHN J. FOX	Detroit
LAWRENCE E. FRAZEE	Rockford
FRANCIS A. GALLAGHER	Rockford
JAMES E. GELBERT	Pittsburgh
CLAUDE R. GILES	San Francisco
HAROLD W. GLORE	Louisville
FRANK L. GOFRANK	Detroit
RAYMOND E. GRAICHEN	Philadelphia
CLARENCE R. HAAS	Philadelphia
JEROME Y. HALPERIN	Detroit
JOEL D. HARVEY	Boston
HERMAN C. HEISER	New York
GEORGE A. HEWITT	Philadelphia
EDWARD W. HIGBEE	Boston
ALBERT E. HUNTER	Boston
J. WESLEY HUSS	San Francisco
ALVIN R. JENNINGS	New York
FELIX KAUFMAN	New York
GEORGE R. KEAST	San Francisco
WILLIAM B. KEAST	Boston
GEORGE H. KERN	Chicago
CHRISTOPHER H. KNOLL	New York
RALPH P. KULZER	Pittsburgh

Lybrand, Ross Bros. & Montgomery

PARTNERS

T. EDWARD ROSS

JOHN LEIGHTON	New York
ROBERT M. LENG	New York
NORMAN J. LENHART	New York
COLEBURKE LYONS	Detroit
JULIAN R. MAHER	New York
JAMES J. MAHON	New York
WILLIAM F. MARSH	Pittsburgh
JOHN J. McCULLOUGH	Detroit
WILLIAM J. McHUGH	New York
THOMAS W. McKIBBEN	Tulsa
JAMES E. MEREDITH, JR.	Philadelphia
HOMER L. MILLER	Chicago
SAMUEL F. MIRANDY	New York
JOHN L. MONETA	Philadelphia
HARRY W. MOORE	Los Angeles
LOUIS C. MOSCARELLO	New York
EDWARD P. MULLEN	Philadelphia
FLAY L. MURPHY	Chicago
ROBERT W. MYERS	Rockford
EDWIN P. NOELL	Cleveland
JOHN C. PADGETT	Cleveland
CHARLES A. PEARSON	Los Angeles
GLENN O. PETTY	Philadelphia
JOHN C. POTTER	Detroit
EDWARD J. PREMO	Detroit
WILLIAM W. RAGSDALE, JR.	Birmingham
LOUIS H. RAPPAPORT	New York
HAROLD O. REYBURN	Tulsa
FRED E. RHODES	Los Angeles
MARK E. RICHARDSON	New York
PRICE G. RIGHTER	Philadelphia
DONALD M. RUSSELL	Detroit
RICHARD W. RUSSELL	Los Angeles
WALTER L. SCHAFFER	New York
DONALD W. SCHROEDER	San Francisco
GUSTAVE F. SCHWEITZER	Philadelphia
CARL J. SIMON	New York
PRIOR SINCLAIR	New York
FRANK P. SMITH*	New York
THOMAS J. SNOWDEN	Saint Louis
EDMUND A. STAUB	New York
WALTER R. STAUB	New York
HARRY H. STEINMEYER	Philadelphia
HERMAN STUETZER, JR.	Boston
JOSEPH E. TANSILL	Chicago
PHILIP J. TAYLOR	Philadelphia
ALBERT P. TEETZEL	Detroit
LEO V. TINKHAM	Chicago
CHARLES H. TOWNS	New York
GLENN E. WABEL	Chicago
MARK C. WALKER	Boston
ROBERT S. WARNER	Los Angeles
WILLIS K. WATERFIELD	Cincinnati
GODFREY W. WELSCH	Dallas
PAUL M. WHITMAN	Cincinnati
PAUL D. YAGER	Los Angeles
HARRY C. ZUG	Philadelphia

* Principal (Personnel)

Lybrand, Ross Bros. & Montgomery

Offices

<i>Cities</i>	<i>Addresses</i>
BALTIMORE 2	First National Bank Building
BIRMINGHAM 3	First National Building
BOSTON 10	80 Federal Street
CHICAGO 4	Board of Trade Building
CINCINNATI 2	Carew Tower
CLEVELAND 14	Union Commerce Building
DALLAS 2	First National Bank Building
DETROIT 26	Book Building
HARTFORD 3	37 Lewis Street
HOUSTON 2	1114 Texas Avenue
LOS ANGELES 13	510 South Spring Street
LOUISVILLE 2	Heyburn Building
NEW YORK 4	Two Broadway
PHILADELPHIA 2	Packard Building
PITTSBURGH 22	Oliver Building
PORTLAND 4	Executive Building
ROCKFORD	119 North Church Street
SAINT LOUIS 1	411 North Seventh Street
SAN FRANCISCO 4	100 Bush Street
SEATTLE 1	Skinner Building
TULSA 3	Philtower Building
WASHINGTON 5	Investment Building





